

CITY OF SACO, MAINE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2005



Prepared By:
Lisa R. Parker, CPA
Finance Director, City of Saco, Maine

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City of Saco, Maine

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2005

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INTRODUCTORY SECTION



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December 2, 2005

Honorable Mark D. Johnston, Mayor
And Distinguished Members of the City Council
Saco, Maine

The comprehensive annual financial report of the City of Saco, Maine for the fiscal year ended June 30, 2005, is hereby submitted in accordance with the requirements of both our City Charter and state statutes. The Charter and statutes require that the City of Saco issue annually a report of its financial position and activity, and that this report be audited by an independent firm of certified public accountants. This is the fifth year that the City's Department of Finance has prepared this report using the new reporting requirements as prescribed by GASB Statement No. 34. Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including all disclosures, rests with the City of Saco. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the City of Saco on a government wide and fund basis. All disclosures necessary to enable the reader to gain the maximum understanding of the City's activities have been included. The City was successful in achieving the Government Finance Officer's Association Certificate of Achievement for Excellence in Financial Reporting for the fourth time with our June 30, 2004 comprehensive annual financial report submittal. A copy of this certificate can be found immediately following this letter of transmittal. This year's report will also be submitted for this highest distinction.

The comprehensive annual financial report is prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The report is presented in three sections: introductory, financial and statistical, and includes the following:

1. Introductory Section – Letter of Transmittal with comments on the operations of the City, Prior Year Certificate of Achievement for Excellence in Financial Reporting, the City's organizational chart, and a list of principal officials.
2. Financial Section – Basic Financial Statements and Required Supplementary Information. The Basic Financial Statements include Management's Discussion and Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to the Basic Financial Statements and Required Supplementary Information, as well as the auditors' report on the financial statements and schedules.
3. Statistical Section – Selected financial and demographic information, generally presented on a multi-year basis. The City of Saco has early implemented the requirements of GASB Statement No. 44, which changes the tables presented within this section. See page 106 for a more detailed description of the tables reported.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The "Single Audit" is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this single audit, including a schedule of federal financial assistance, findings, recommendations and the independent auditor's reports on the internal control and compliance with applicable laws and regulations, are included in a separately issued single audit report.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Saco, Maine's MD&A can be found immediately following the report of the independent auditors.

Governmental Structure, Local Economic Condition and Outlook

The City of Saco, Maine, incorporated in 1867, is located at the mouth of the Saco River on the southerly side of Saco Bay in the Gulf of Maine, in the southern coastal section of the State and is approximately the tenth largest city in the State of Maine. The City of Saco continues to be a key area within the state for residential growth, as well as a key area where industrial and commercial companies are investing. The City of Saco was ranked among the top five cities within the State of Maine for this growth. Saco has a land area of 38.5 square miles and a population of 16,822. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the Mayor -Council – City Administrator form of government. Policy making and legislative authority is vested in the seven member City Council. The Council is elected on a non-partisan basis. The mayor and all council members are elected to two-year terms from seven districts (wards). The City Council is responsible, among other things, for passing ordinances, adopting the budget, confirming mayoral nominations of committees and the City Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments, some with City Council confirmation.

The City of Saco, Maine provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets and infrastructure; waste water treatment plant; solid waste collection; public education; health and social welfare; recreation; general administration and economic development.

The annual budget serves as the foundation for the City of Saco's financial planning and control. All departments of the City of Saco are required to submit requests for appropriation to the Finance Director in January of each year. The City's Finance Director uses these requests as the starting point for developing a proposed budget. The City Administrator then presents this proposed budget to the City Council for review in March of each year. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Both transfers of appropriations within a department and between various departments require the approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 44 as part of the basic financial statements for the governmental funds.

Major Initiatives Fiscal Year 2004-2005

After much work, financial planning and commitment to our vision of making Saco a community with a high quality of life for all its citizens, the City again ends the year in a solid financial position. Central to this vision is a sustainable economy that offers an opportunity for everyone to have rewarding employment and for business to prosper, now and in the future. The people of Saco have brought this vision into reality by working together and building on our tradition of hard work, dedication and ingenuity.

Economic Development. The City has worked tirelessly to improve the economic development climate in Saco, and the proof of those efforts is the steady increase in the City's assessed valuation, which is due primarily to growth in the industrial and commercial sector. Notable additions to the City's economic development base are due primarily to the City's continually expanding industrial park project, which now includes several new businesses. There are also numerous residential dwellings being constructed.

Assessed Valuation. For the 15th consecutive year, the City's valuation has steadily increased, with the exception of fiscal year June 30, 1999, where the valuation slightly decreased due to the State mandated homestead exemption of approximately \$25 million. This exemption reduced the taxable valuation for the taxpayers of the City but was substituted by a reimbursement from the State. Since fiscal year 1994, the assessed valuation has risen from \$741,022,900, to this year's \$1,468,822,600. This equates to a 98% increase over this 12-year period. However, this increase has been reflected proportionately between residential and commercial growth. In 1990, residential property accounted for 68% of the City's valuation. This year, residential property taxes will also account for approximately 68% of the taxes paid, while business/industry will account for 32%.

Financial Management. The City is committed to ensuring sound financial management of the public's funds. This includes development of a 5 year Financial Plan (2002-2007), which incorporates City Council goals and objectives, maintaining sufficient fund balances in major governmental funds, and adhering to the highest management standards. This financial plan was recently updated (fiscal year 2004) with the election of our new City Council and will be updated again in 2006 after our next election.

Capital Improvements & Debt Service. The City has prepared a 5 year Capital Improvement Plan Policy. This policy outlines all of the capital assets currently owned by the City, their historical costs, their estimated useful lives, and their estimated replacement years and costs. With this information, the City will be better able to plan for replacements which will aid in our budget preparation in future years as we will have a better idea of fiscal impacts due to replacement being projected. In the current fiscal year, approximately \$1.5 million dollars was budgeted to fund various capital improvement projects, including numerous capital asset additions and infrastructure maintenance projects. The City did not undertake any new bond issues in the current year and therefore acquired less debt than it retired in the current fiscal year, and remains significantly below state mandated thresholds for allowable debt liability.

Comprehensive Plan. A comprehensive plan for the City's development was adopted in October of 1999. This plan sets out development policies and goals for capital planning for the next decade.

Interlocal service efforts with the City of Biddeford and the Town of Old Orchard Beach. Saco, Biddeford and Old Orchard Beach continue to build among the many services we provide jointly, including the harbor river patrol efforts, various training efforts for employees, combined purchasing to take advantage of economies of scale, and combined negotiations of cable franchise agreements, to name just a few. Interlocal agreements are also in place for fire, police and emergency management services.

Biddeford-Saco-Old Orchard Beach Transit Committee- The City is a member of the Biddeford-Saco-Old Orchard Beach Transit Committee which is a jointly governed organization. The Committee has operated a public mass transit passenger bus service within and between the three municipalities under a voluntary interlocal agreement since 1977. The City of Saco's contribution to the committee for the year ended June 30, 2005 was \$48,000. The Transit Committee does not meet the definition of a component unit or a joint venture because there is no ongoing financial interest or responsibility by the participating governments.

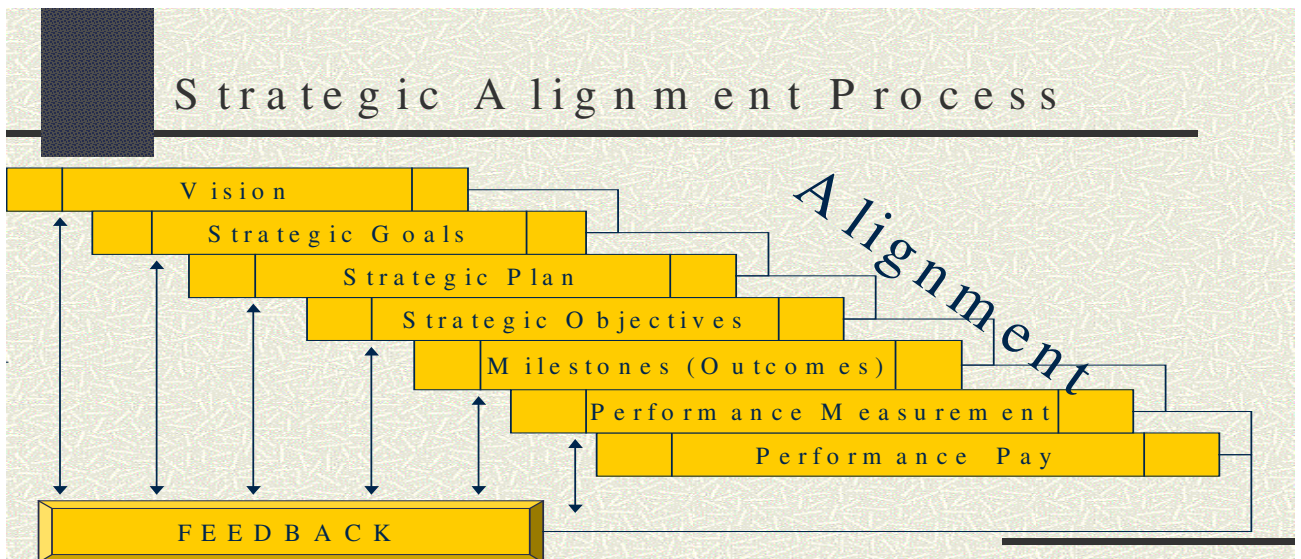
Major Initiatives- Looking Ahead: 2005-2006 Goals

During the coming year, the City will build upon the successes we experienced this year. The City will continue to focus its efforts on economic development, fiscal accountability, expanding Saco's tax base and reaffirming our commitment to the public to improve service delivery and enhance the quality of life in our community. In March of 2004 the City completed its strategic plan. This task began with the review of each department's strengths, weaknesses, opportunities and threats (SWOT). This SWOT analysis was then distilled into the nine strategic goals noted below and presented within the City's strategic plan. In addition to the development of the strategic goals, each department was requested to develop strategic objectives to advance these goals. Each objective contained in this plan is aligned with one or more of the nine strategic goals. Each of the objectives contains milestones that identify major accomplishments that will need to be completed to finish the objective.

A critical piece of this plan is that the time horizon has been expended to consider financial and resource capabilities. An objective may span a number of years depending on the goal's complexity and financing. This plan will allow the city to track progress on all goals and objectives over time. The intent of this plan is to provide strategic direction for the management of the City and to align departmental objectives with this direction. Each year the plan will be reviewed and updated with the Mayor, City Council and staff.

From the use of this strategic plan, performance measurements will be established to provide better operational accountability. The City is working towards ensuring that services are provided in the most efficient and effective way. The City is currently formulating a mixture of performance measurements and comparable statistics between other Maine communities. This will be presented in the form of output measures, outcome measures and efficiency measures for each City department. These measures will be reported in the current year's report. The city has received a \$30,000 grant through the National Center for Innovative Technology to further this effort and to publish a performance information report on this data. The City was successful at completing its first performance measurement report and received a national Certificate of Excellence for Service Efforts and Accomplishments Reporting from the Association of Governmental Accountants (AGA). This report substantially complied with the Governmental Accounting Standards Board's sixteen suggested criteria for these types of reports.

The City has linked the achievement of each department's milestones to the performance based pay system already in place, which rewards employees for the achievement of these objectives. Thus creating a complete alignment and strategic focus for the entire City. The last integral piece of this process will be to solicit feedback from the citizen's within the City of Saco on our progress to assure that our strategic goals and objectives are aligned with the service needs of our community. Each year they will be revisited for this purpose an updated based on the feedback received. The recent grant award will provide us with the funding to pursue this outreach to the citizens of our community.



The following represents the City Council vision statement and the strategic goals within the City's Strategic Plan. Strategic goals are general statements of purpose that pertain to how the city achieves its mission and vision. The strategic goal generally addresses end results rather than specific actions. A goal provides a framework and direction for city departments to align their objectives and plans to achieve their goals.

Vision Statement- Our vision is a high quality of life for Saco citizens. Central to this vision is a sustainable economy that offers an opportunity for everyone to have rewarding employment and for business to prosper, now and in the future. The people of Saco bring this vision into reality by working together and building on our tradition of hard work, dedication and ingenuity.

Strategic Goals-

Downtown Revitalization



The City recognizes the downtown's significance as the economic and community center. The City will continue to support the revitalization of the downtown and will support groups like Saco Spirit.

Infrastructure and Capital Development and Maintenance



The City is committed to maintaining and improving the City's infrastructure, facilities, and equipment by maintaining the current infrastructure, facilities and equipment and planning for the future.

Growth Management



The City will encourage orderly growth and development in appropriate areas while protecting natural resources and rural character, in order to maximize the efficient use of municipal services using principles of smart growth and sustainability.

Meeting New Environmental Regulation Challenges



The City recognizes and supports the regulations that will improve the quality of our natural resources.

Technological Innovation and Implementation



The City will commit considerable efforts for the development of a technological infrastructure that facilitates communication with the citizens and improves the effectiveness of City employees.

Human Resource Investment



The City recognizes that the City's employees are a considerable resource that requires investment to ensure that we have the knowledge, skills and abilities needed to meet the needs of the City.

Leisure Services Investment



The City understands the needs for active and passive recreational facilities and cultural for its citizen's leisure pursuits and will continue to upgrade and develop new outlets to meet these needs.

Meeting the Financial Needs for City Services



The City will make every effort to financially support the needs of the City through traditional and nontraditional revenue sources such as grants, user fees, and impact fees.

Public Safety



The City will endeavor to provide a safe and secure community

Significant Accomplishments of Fiscal Year 2004-2005

- The City completed the final phase of valuation updates to bring the city's property values up to 95% of the state equalized valuation.
- The City complied with the State of Maine "Public Law 2" tax levy limitations.
- The City completed the final phase of an extensive Geographical Information System (GIS) project and now has all of this data available on the City's web site.
- The City completed improvements to traffic signals at Elm/Scamman/Thornton and Main/Elm/North/Beach.
- The City completed the construction of a right turn lane on Main Street at the Ocean Park Road intersection.
- The City completed its first ever Performance Measurement Report and received a National Award for Excellence from the Association of Governmental Accountants (AGA).
- Emergency preemption has now been added to many of the traffic signals within the City.

- The City completed the Main Street sidewalk and lighting improvement project.
- The City began construction of the new Foss Road athletic field complex.
- Main Street Access Plan, Bicycle Pedestrian Plan and East/West Traffic Plans were completed.
- The City parks and recreation department successfully relocated its offices and programs into the new community center on Franklin Street.
- The City received the Certificate of Achievement for Excellence in Financial Reporting for the fourth time, awarded by the Governmental Finance Officer's Association for their fiscal year 2004 Comprehensive Annual Financial Statement.
- The City received the Distinguished Budget Presentation Award for the third time, awarded by the Government Finance Officer's Association for their fiscal year 2005 budget.
- The City was successful of receiving priority from the State of Maine for Reconstruction of Route 112.

Financial Information

The City's Finance Department is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that the adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal controls being used are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control procedures are weighed against the expected benefits to be derived, and that the evaluation of costs and benefits requires educated estimates and professional judgments by management. All of the City's internal accounting control evaluations occur within this framework.

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluations by the management and finance department staff of the City.

The City adopts fiscal year budgets that are established in accordance with the various laws that govern the City's operations as authorized by the Council. The budget is divided into monthly budget allocations based on expenditure expectations and on historical trends, whenever possible. These allocations are reviewed quarterly against actual expenditures, and variances are addressed in the quarterly financial reports presented to the City Council. At mid year, unless conditions dictate an earlier need, budgets are reviewed, year end projections are made, and adjustments to the financial plan considered and any necessary changes are legally adopted through the passage of an appropriation resolve.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management Policies and Practices: The City's investment policy authorizes investments in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, certain corporate bonds, certain certificates of deposit and certain money market funds. The average yield on all investments was approximately 2.20%. The City's General Fund investment income during the year amounted to \$87,997.

The City's investment policy, updated on June 20, 2005, is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, the majority of investments were held in the government's name by the counterparty financial institution's trust department. Remaining deposits were either insured by federal depository insurance or collateralized.

Risk Management: During fiscal year 2005, the City continued to aggressively manage all aspects of its risk management program. Included in the risk management program are property and casualty risks, as well as Worker's Compensation.

The City's Finance Director is the person primarily responsible for most risk management functions. Insurance coverage, reporting and claims management functions have been centralized, providing better coordination,

efficiency and cost effectiveness. The City recently conducted a review of its coverages and loss prevention programs. Additional information on the City of Saco's risk management activity can be found in Note 15 of the basic financial statements.

Other information:

Independent Audit: State Statute and the City Charter require an annual audit of all financial records by independent certified public accountants. The audit of fiscal year 2005 was performed for the City Council, by the firm of Runyon, Kersteen, Ouellette PA, a firm of licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Saco, for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City of Saco's financial statements for the fiscal year ending June 30, 2005, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984 and the related U.S. Office of Management and Budget's Circular A-133, Auditing Standards Generally Accepted in the United States of America and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued report.

Awards: This is the fifth year in which the City of Saco will apply for the prestigious Certificate of Achievement for Excellence in Reporting to the City for its comprehensive annual financial report through the Government Finance Officers Association (GFOA). The City was successful in achieving this distinction for the first time in its fiscal year 2001 report. In order to be awarded a Certificate of Achievement, the City must publish an easily readable, efficiently organized, comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current year comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility.

In addition, the City of Saco also applied, for the fifth time, for the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 15, 2005. The City was successful in achieving this distinction for the first time in its fiscal year 2003 report. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document will be judged for proficiency in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

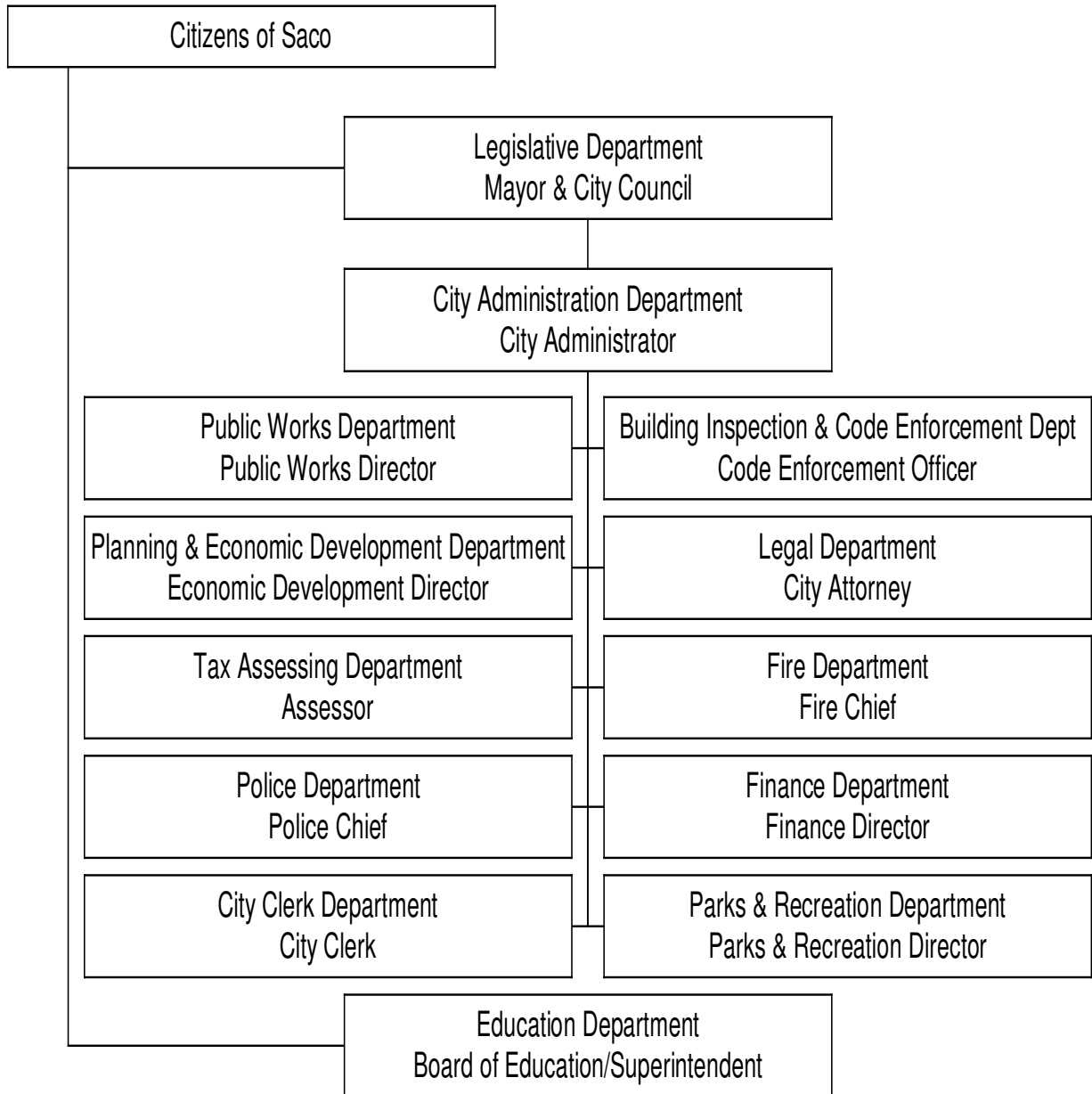
Acknowledgements: The preparation of this report would not have been possible without the cooperation of all city department heads, as well as the members of the Finance Department. Appreciation is also extended to the City Administrator, Richard Michaud, for his consistent support of these efforts. Credit must also be extended to the Mayor and the governing City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Saco, Maine's finances. I wish to acknowledge the efforts of our independent auditor's Runyon Kersteen Ouellette PA, for the professional audit work they provided and for all their assistance.

Respectfully submitted,

Lisa R. Parker, CPA
Finance Director

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City of Saco
Organizational Chart



City of Saco, Maine

LIST OF PRINCIPAL OFFICIALS (ELECTED AND APPOINTED)

June 30, 2005

Elected Officials

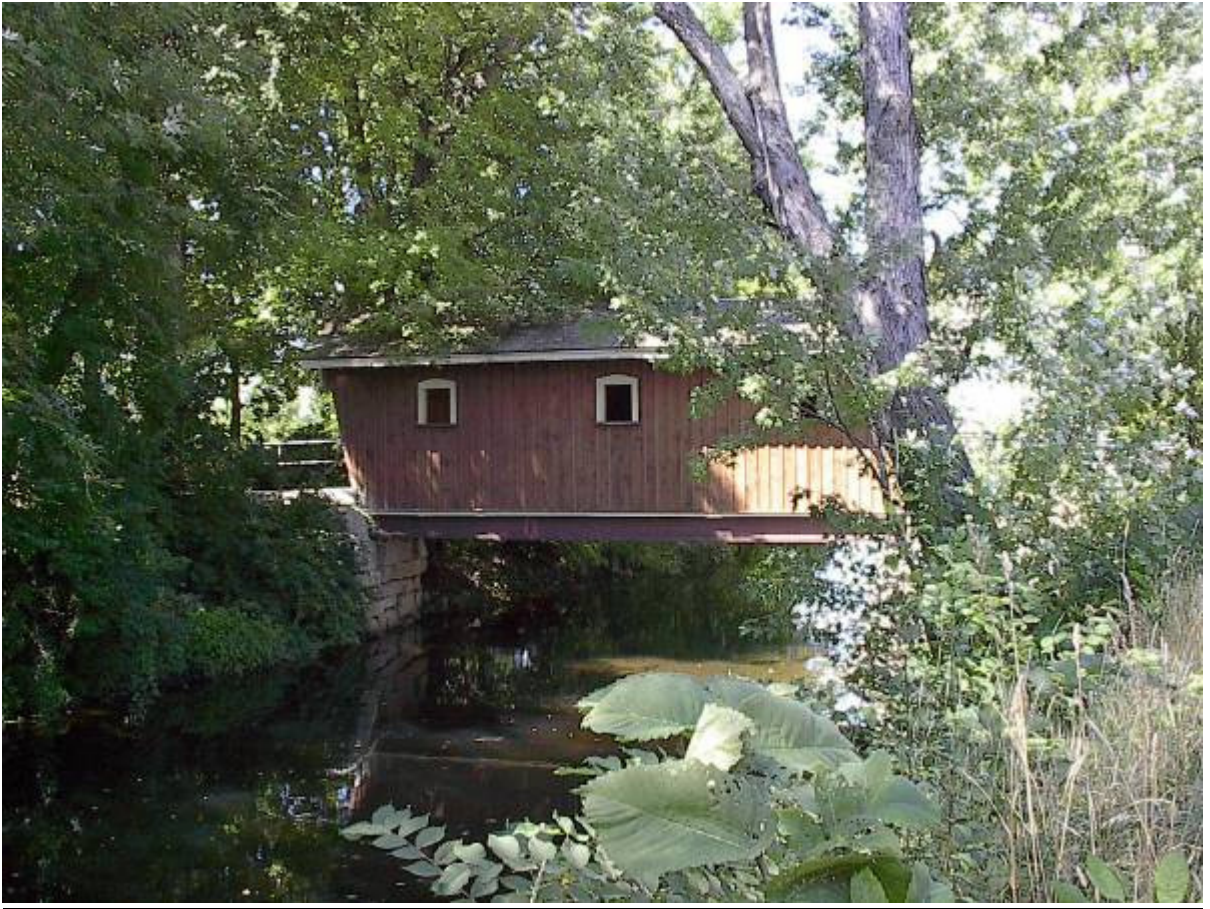
Mayor	Mark D. Johnston
Council Member – Ward 1	David Tripp
Council Member – Ward 2	Leslie Smith, Jr.
Council Member – Ward 3	Edward McDonough, Jr.
Council Member – Ward 4	Roland L. Michaud
Council Member – Ward 5	Arthur J. Tardif
Council Member – Ward 6	Eric B. Cote
Council Member – Ward 7	Jesse McDougal

Appointed Officials

City Administrator	Richard Michaud
Executive Assistant	Kate Kern
Personnel Officer	Tammy Lambert
Building Inspector	Richard Lambert
Economic Development Director	Peter Morelli
City Planner	Robert Hamblen
Finance Director/Treasurer	Lisa R. Parker
City Clerk	Lucette Pellerin
Assessor	Daniel Sanborn
Fire Chief	Alden Murphy
Police Chief	Brad Paul
Public Works Director	Mike Bolduc
City Engineer	Ron Kiene
Parks & Recreation Director	Sue Spath
Tax Collector	Patricia King
City Solicitor	Tim Murphy

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FINANCIAL SECTION



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Independent Auditor's Report

City Council
City of Saco, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Saco, Maine as of June 30, 2005 and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Saco, Maine's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Saco, Maine, as of June 30, 2005, and respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 7, 2005, on our consideration of the City of Saco, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Saco, Maine's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Penny Kersteen Ouellette". The signature is written in a cursive style with a large initial "P".

November 7, 2005
South Portland, Maine

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Management's Discussion and Analysis Fiscal Year Ended June 30, 2005

As management of the City of Saco, Maine, we offer readers of the City of Saco, Maine's financial statements this narrative overview and analysis of the financial activities of the City of Saco for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Saco, Maine (the City) using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health or *financial position*. Over time, increases and decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's infrastructure.

In the Statement of Net Assets and the Statement of Activities, we separate the City Activities as follows:

Governmental Activities- Most of the City's basic services are reported in this category, including the General Government, Fire, Police, Public Works, Planning and Economic Development, Parks and Recreation, Community services and Library. Property taxes, user fees, interest income, franchise fees and state and federal grants finance these activities.

Business Type Activities- The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Waste Water Treatment Plant activities are reported in this category.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

Governmental Funds- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed shorter-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary Funds- When the City charges customers for services it provides- whether to outside customers or to other units of the City- these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activity we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City is providing condensed financial information for fiscal year 2005 with comparative information for fiscal year 2004. Our analysis below focuses on the net assets of the City's governmental and business type activities.

	Governmental Activities	Business-type Activities	2005 Total Primary Government	2004 Total Primary Government
Current and other assets	\$ 13,118,749	\$ 3,902,229	\$ 17,020,978	\$ 16,027,922
Capital assets	53,060,713	4,869,911	57,930,624	56,372,660
Total assets	66,179,462	8,772,140	74,951,602	72,400,582
Non-current liabilities	20,926,710	-	20,926,710	20,814,744
Other liabilities	4,214,772	108,566	4,323,338	2,233,971
Total liabilities	25,141,482	108,566	25,250,048	23,048,715
Net assets:				
Invested in capital assets	35,969,003	1,034,911	37,003,914	36,408,775
Restricted	410,521	-	410,521	456,653
Unrestricted	4,658,456	7,628,663	12,287,119	12,486,439
Total net assets	41,037,980	8,663,574	49,701,554	49,351,867

Our next analysis focuses on changes in net assets of the City's governmental and business-type activities.

	Governmental Activities	Business-type Activities	2005 Total Primary Government	2004 Total Primary Government
Revenues				
Program Revenues:				
Charges for services	\$ 3,110,502	\$ 2,411,039	\$ 5,521,541	\$ 4,710,638
Operating grants and contributions	10,920,455	-	10,920,455	10,716,936
Capital grants and contributions	1,437,216	-	1,437,216	1,027,926
General Revenues:				
Property taxes	23,444,228	-	23,444,228	21,340,211
Motor vehicle excise taxes	2,883,127	-	2,883,127	2,763,999
Franchise fees	185,477	-	185,477	167,212
Homestead exemption	242,190	-	242,190	288,216
Other state aid	55,792	-	55,792	127,416
City of Biddeford Tax Base Sharing	140,091	-	140,091	101,601
State revenue sharing	1,448,360	-	1,448,360	1,468,881
Investment earnings	216,963	38,159	255,122	199,462
Miscellaneous revenues	47,179	9,657	56,836	69,649
Total revenues	44,131,580	2,458,855	46,590,435	42,982,217
Program expenses:				
General government	1,874,958	-	1,874,958	1,798,022
Public safety	4,883,614	-	4,883,614	4,438,847
Public works	4,586,385	-	4,586,385	3,591,566
Housing programs	272,246	-	272,246	205,501
Culture and recreation	626,204	-	626,204	526,806
Education	25,195,306	-	25,195,306	23,982,205
County tax	772,182	-	772,182	747,821
Unclassified	3,363,144	-	3,363,144	2,794,827
Interest on debt	680,893	-	680,893	587,724
Capital improvements	1,894,297	-	1,894,297	1,452,387
Waste Water Treatment Plant	-	2,091,519	2,091,519	1,617,000
Total expenses	44,149,229	2,091,519	46,240,748	41,742,706
Change in net assets before transfers	(17,649)	367,336	349,687	1,239,511
Transfers	660,033	(660,033)	-	-
Change in net assets after transfers	642,384	(292,697)	349,687	1,239,511

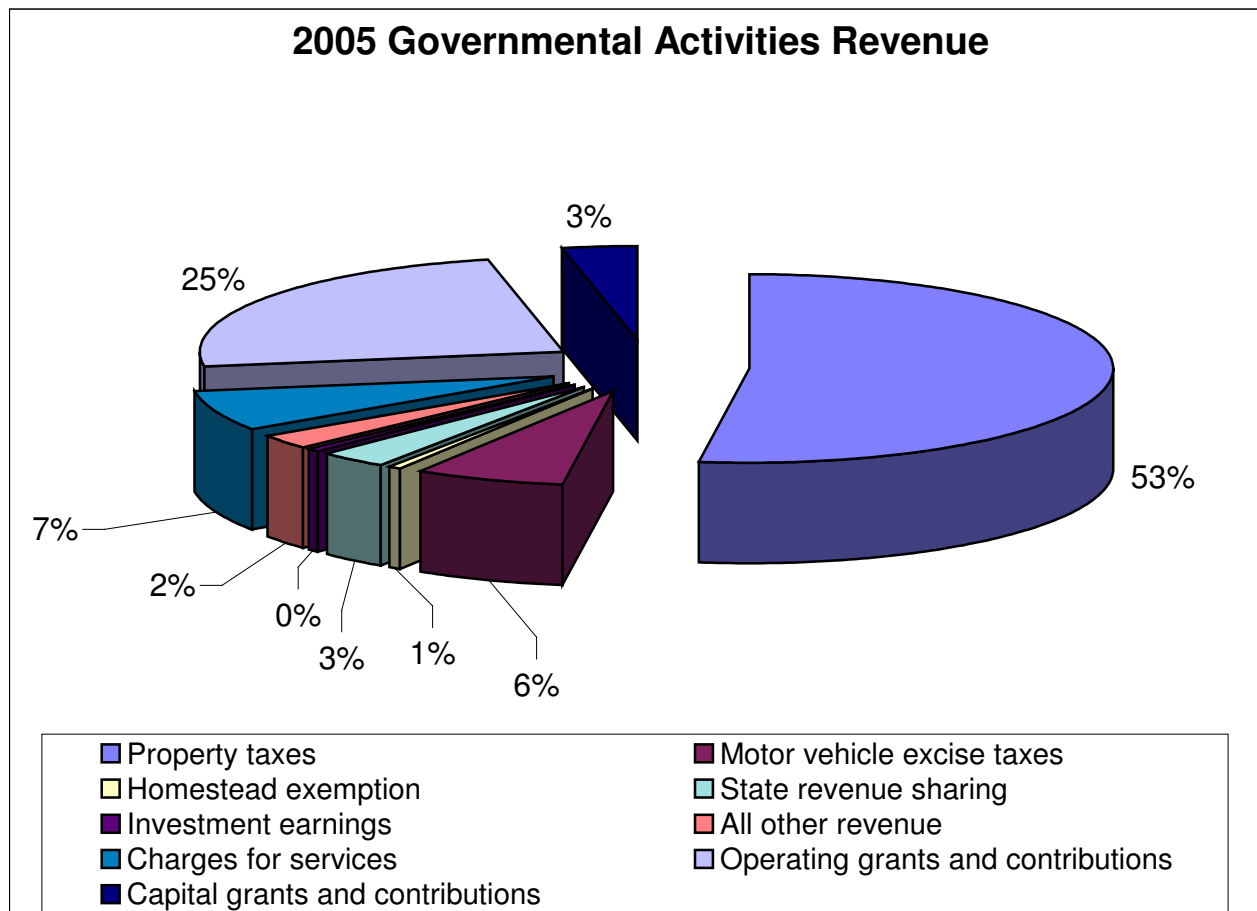
GOVERNMENTAL ACTIVITIES

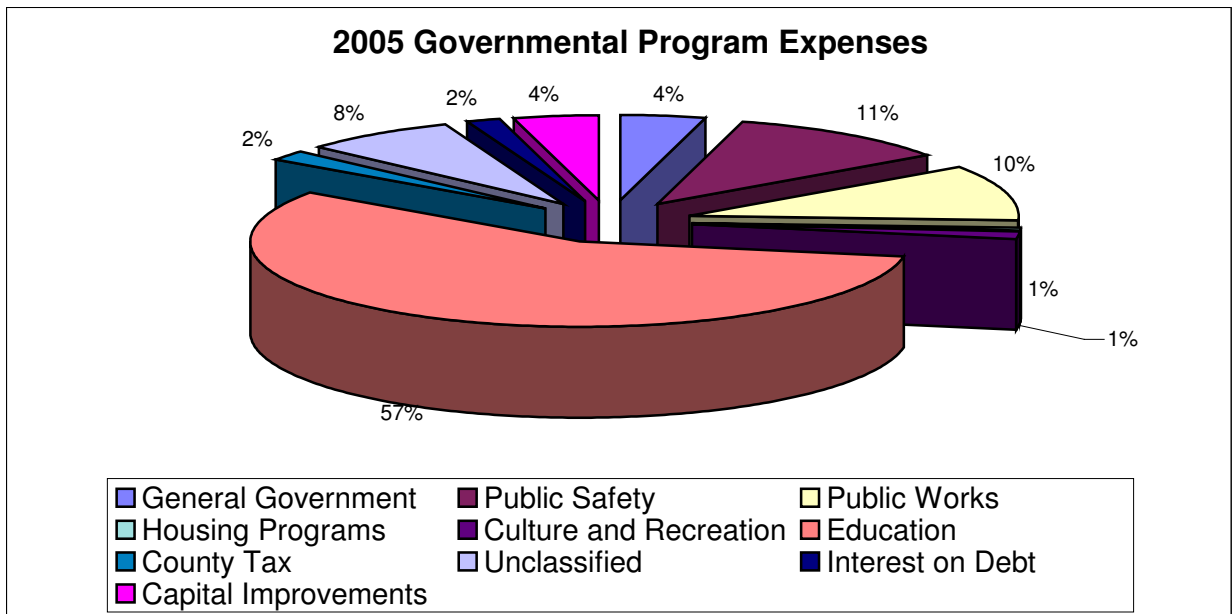
The cost of all Governmental activities this year was \$44,149,229. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$28,681,056 because some of the cost was paid by those who directly benefited from the programs (\$3,110,502), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$10,920,455) and capital grants and contributions (\$1,437,216). Overall, the City's governmental program revenues, including intergovernmental aid and fees for services, were \$15,468,173. The City paid for the remaining "public benefit" portion of governmental activities with \$29,323,440 in taxes and with other revenues, such as interest, State Revenue Sharing, general contributions and other miscellaneous revenues.

The City's programs include General Government, Public Safety, Public Works, Housing Programs, Culture and Recreation, Education, County Tax, Unclassified, Interest on debt, Depreciation and Capital Improvements. Each program's net cost (total cost less revenues generated by the activities) is presented below for both the current year (2005) and last year (2004) for comparative purposes. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental activities:	2005 Net (Expense)	2004 Net (Expense)
General Government	\$ (635,477)	\$ (584,876)
Public Safety	(4,313,531)	(4,016,301)
Public Works	(3,773,803)	(2,847,216)
Housing Programs	(40,068)	23,208
Culture and Recreation	(302,733)	(274,752)
Education	(13,453,566)	(12,389,045)
County Tax	(772,182)	(747,821)
Unclassified	(3,363,144)	(2,794,827)
Interest on debt	(680,893)	(587,724)
Capital Improvements	(1,345,659)	(1,431,338)
Total governmental activities	(28,681,056)	(25,650,692)

Total resources available during the year to finance governmental operations were \$85,187,209 consisting of Net assets at July 1, 2004 of \$40,395,596, program revenues of \$15,468,173 and General revenues including transfers, of \$29,323,440. Total Governmental Activities during the year were \$44,149,229; thus Net Assets were increased by \$642,384 to \$41,037,980.



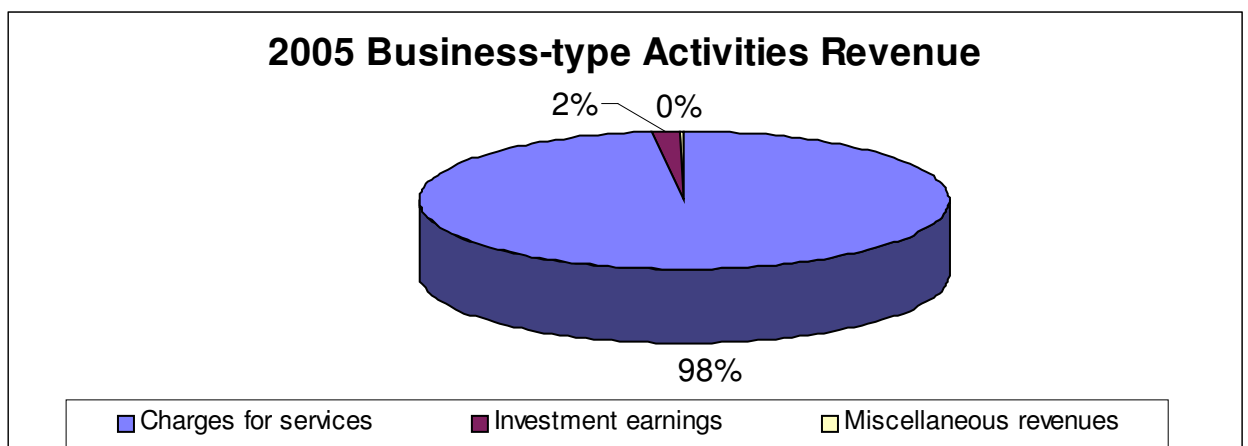


BUSINESS TYPE ACTIVITIES

The cost of all Proprietary (Business Type) activities this year was \$2,091,519. As shown in the Statement of Activities, the amounts paid by users of the system was \$2,411,039, Investments earnings were \$38,159, Miscellaneous revenues were \$9,657 and transfers to other funds were \$660,033.

The Proprietary Fund (Business Type) Activities include only the operation of the City's Waste Water Treatment Plant. The activities net revenue (total cost less revenues generated by the activities) is \$319,520 as revenues were greater than expenditures.

Total resources available during the year to finance Proprietary Fund (Business Type) Activities were \$10,755,093 consisting of Net Assets at July 1, 2004 of \$8,956,271, program revenues of \$2,411,039, general revenues of \$47,816 and transfers out of \$(660,033). Total Proprietary Fund (Business Type) expenses during the year were \$2,091,519; thus Net Assets were decreased by \$292,697 to \$8,663,574.



THE CITY'S FUNDS

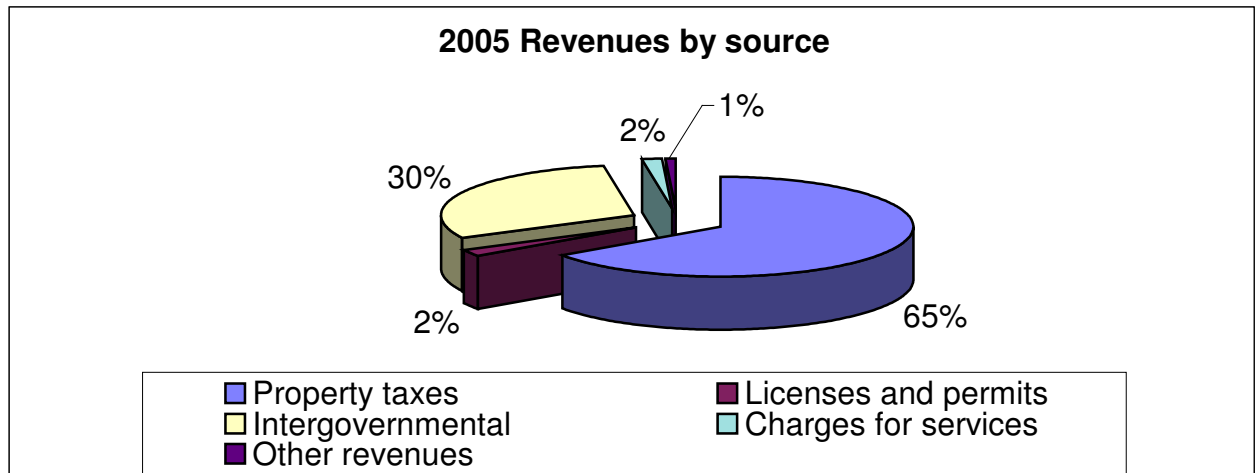
The following is an analysis of balances in the City's major individual funds. Comparative information is being provided for fiscal year 2004.

General Major Governmental Functions

The information below compares revenues of the General Fund for 2005 and 2004 respectively.

	2005	2004
Revenues by source		
Property taxes	\$26,703,395	\$24,278,842
Licenses and permits	828,806	666,654
Intergovernmental	12,268,057	12,279,609
Charges for services	681,008	708,989
Other revenues	374,248	259,913
Total revenues	<u>40,855,514</u>	<u>38,194,007</u>

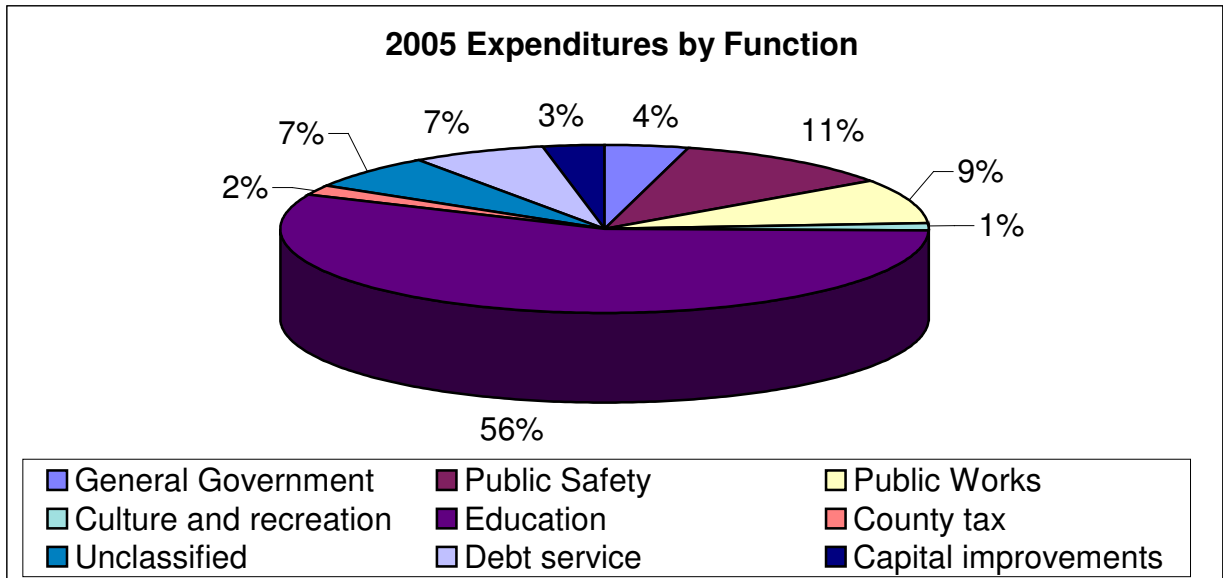
In fiscal year 2005, the City also had two other major funds. The Landfill Fund, which had "Other Revenues" of \$40,561 and \$9,552 in fiscal years 2005 and 2004 respectively. The Saco Island TIF District, which had intergovernmental revenues of \$500,000 and other revenues of \$17,598 in fiscal year 2005. In fiscal year 2004, this fund had not met the requirements of being a Major Fund.



The information below compares expenditures of the General Fund for 2005 and 2004 respectively.

	2005	2004
Expenditures by function		
General government	1,779,876	1,702,939
Public safety	4,527,592	4,074,543
Public works	3,664,176	3,300,696
Culture and recreation	585,146	485,750
Education	23,421,184	21,808,603
County tax	772,182	747,821
Unclassified	2,864,024	2,911,596
Debt service	2,761,234	2,592,196
Capital improvements	1,242,158	1,218,197
Total expenditures	<u>41,617,572</u>	<u>38,842,341</u>

In fiscal year 2005 and 2004, the Landfill Fund had Capital Improvement expenditures of \$120,783 and \$255,399 respectively. In fiscal year 2005, the Saco Island TIF Fund had Capital Improvement expenditures of \$1,460,747. As noted above, this fund was not considered to be a Major Fund in fiscal year 2004.



Proprietary Fund

The City's only major Enterprise Fund consists of the Waste Water Treatment Plant. The basic financial statements for the major funds are included in this report. Because the focus on proprietary funds is a cost of service measurement or capital maintenance, we have included this fund in the table below, which demonstrates return on ending assets and return on ending net assets.

	<u>2005</u>	<u>2004</u>
Total Assets	\$8,772,140	\$9,029,466
Net Assets	\$8,663,574	\$8,956,271
Change in Net Assets	\$ (292,697)	\$ 10,603
Return on Ending Total Assets	(3.34%)	.12%
Return on Ending Net Assets	(3.38%)	.12%

DEBT ADMINISTRATION

Debt, considered a liability of governmental activities, decreased in fiscal year 2005 by \$2,080,341. Per capita bonded debt outstanding increased from \$1,142 to \$1,244 per capita compared to the prior fiscal year due primarily to a new large capital lease for the Young School modular building. For a more detailed disclosure on debt, see footnote 6.

The Governmental Activity debt summary for fiscal year 2005 is presented below.

Debt Payable at June 30, 2004	\$ 19,963,885
Add: New Capital Lease Purchases	3,043,166
Add: New General Obligation Bonds	<u>-</u>
	\$ 23,007,051
Less: Debt Retired	<u>2,080,341</u>
Debt Payable at June 30, 2005	\$ 20,926,710

This debt payable does not include the long term portion of compensated absences of \$915,271 (See Note 5).

CAPITAL ASSETS

The capital assets of the City are those assets, which are used in the performance of the City's functions including infrastructure assets. At June 30, 2005, net capital assets of the governmental activities totaled \$53,060,713 and the net capital assets of the business-type activities totaled \$4,869,913. Depreciation on capital assets is recognized in the Government-Wide financial statements.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair.

The City expended \$448,208 on street maintenance for the fiscal year ended June 30, 2005. These expenditures delayed deterioration, however, the overall condition of the streets was not improved through these maintenance expenditures. The City had estimated that the amount of annual expenditures required to maintain the City's streets at the minimum PCI rating of 70 (rating of 2 within City's Asset Management System, See Required Supplemental Information) through the year 2005 was a minimum of \$500,000.

The City is also continuously taking actions to arrest the deterioration of other infrastructure assets through short-term maintenance activities. The City expended \$216,752 on other infrastructure maintenance for the fiscal year ended June 30, 2005. These expenditures delayed deterioration and improved the overall condition through these maintenance expenditures. The City had estimated that the amount of annual expenditures required to maintain the City's infrastructure at the minimum rating of 2 through the year 2005 was a minimum of \$750,000.

Infrastructure Assets - June 30, 2005 and 2004				
Description	Historical Cost	Accumulated Depreciation	Net Cost 2005	Net Cost 2004
Governmental Activities:				
Modified Approach:				
Sewer pipe	\$ 11,976,764	\$ -	\$ 11,976,764	\$ 11,976,764
Catch basins and manholes	2,079,819	-	\$ 2,079,819	\$ 2,079,819
Storm drainage	17,367,653	-	\$ 17,367,653	\$ 17,367,653
Sidewalks	1,501,179	-	\$ 1,501,179	\$ 1,501,179
Street Pavement System	3,987,846	-	\$ 3,987,846	\$ 3,987,846
Traffic signals	775,820	-	\$ 775,820	\$ 775,820
Street signs	44,818	-	\$ 44,818	\$ 44,818
Total Governmental Activities	\$ 37,733,899	\$ -	\$ 37,733,899	\$ 37,733,899

Capital Assets				
	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2005</u>
Governmental Activities:				
Buildings and Improvements	\$ 33,435,113	\$ 2,491,884	\$ (1,604,546)	\$ 34,322,451
Vehicles	5,185,773	606,844	(121,110)	5,671,507
Machinery and Equipment	4,672,937	344,698	-	5,017,635
Total	43,293,823	3,443,426	(1,725,656)	45,011,593
Accumulated Depreciation	(29,996,064)	(1,414,371)	1,725,656	(29,684,779)
Total Governmental Activities	\$ 13,297,759	\$ 2,029,055	\$ -	\$ 15,326,814
 Business-Type Activities:				
Buildings and Improvements	\$ 14,775,600	\$ -	\$ -	\$ 14,775,600
Vehicles	95,500	25,187	-	120,687
Machinery and Equipment	2,325,390	-	-	2,325,390
Total	17,196,490	25,187	-	17,221,677
Accumulated Depreciation	(11,855,488)	(496,278)	-	(12,351,766)
Total Business-Type Activities	\$ 5,341,002	\$ (471,091)	\$ -	\$ 4,869,911
 Total Capital and Infrastructure	\$ 56,372,660	\$ 1,557,964	\$ -	\$ 57,930,624

For more detail on capital assets, see footnote 4.

BUDGETS AND BUDGETARY ACCOUNTING

General Fund Budget Variances

Comparing the fiscal year 2004-2005 original budget (or adopted) General Fund amount of \$41,841,344 (expenditures of \$41,079,773 plus transfers of \$761,571), to the final budget amount of \$41,841,344 (expenditures of \$41,079,773 and transfers of \$761,571) shows no increase in the original budget.

Included in this figure is \$1,021,608 of prior fiscal year 2003-2004 Capital Improvement Projects (CIPs) approved to carry forward into FY 2004-2005. Thereby, bringing the beginning balance of \$40,819,736 to \$41,841,344.

Original Budget + Continuing Appropriations = Beg. Balance
\$40,819,736 \$1,021,608 \$41,841,344

Beg. Balance +/- Supplemental Changes = Final Budget
\$41,841,344 \$0 \$41,841,344

Comparing the beginning budget of \$41,841,344 to the final budget of \$41,841,344, shows that the General Fund had no supplemental budgetary appropriations during the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Annual Budget assures the efficient, effective and economic uses of City's resources, as well as, establishing that the highest priority objectives are accomplished. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

Historical Trend

As the City enters fiscal year 2006, we are in solid financial shape with many years of higher than anticipated revenues. This has laid the foundation for a strong surplus, which is primarily earmarked for the City's long term Capital Improvements Plan. This needs to be prudently maintained as we move forward into the future.

In reflecting back on the history of the City's past five budgets, non-tax revenues have remained steadily at approximately \$18 million annually. During this time span, the City has been able to stabilize the tax rate with consistent increases in property valuations.

	2002	2003	2004	2005	2006
Total taxes	\$ 19,056,342	\$ 20,431,516	\$ 20,812,974	\$ 23,354,279	\$ 23,157,235
Percent change	8.20%	5.97%	1.87%	12.21%	(.84%)

Total City valuation	\$874,228,000	\$897,364,900	\$1,136,489,900	\$1,468,822,600	\$1,792,587,120
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The Budget

The Adopted Budget for fiscal year 2006 calls for total expenditures of \$42,110,794 representing an increase of \$1,475,830 or 3.63% over the original current year budget. By comparison, since the fiscal year 2002 budget was approved the increase in expenditures has totaled \$7,174,126 for an average increase of 4.11% over the past five years.

The original budget requests from the fourteen individual departments were based on the department head's perceived needs. The following adjustments were made after a careful review by the City Administrator and then the City Council:

	City Administrator Recommendation	Net Additions/ (Reductions)	Approved Budget
Operating Budget	\$ 16,021,652	\$ -	\$ 16,021,652
Overlay & TIF Transfer	\$ 1,021,442	\$ -	\$ 1,021,442
Capital Outlay	\$ 672,702	\$ -	\$ 672,702
	School Board Recommendation	Net Additions/ (Reductions)	Approved Budget
Education	\$ 24,394,998	\$ -	\$ 24,394,998
Total	\$ 42,110,794	\$ -	\$ 42,110,794

The following chart compares the major categories in the operational budget and their respective increases over the last five years, without the overlay and TIF transfer or any affects of encumbrances.

Appropriation Summary

	2002	2003	2004	2005	2006
Departments	Actual	Actual	Actual	Budget	Budget
Legislative:	\$18,149	\$16,468	\$20,094	\$20,100	\$20,100
City Administration:	\$173,027	\$179,103	\$190,350	\$196,803	\$196,890
Finance:	\$267,818	\$362,086	\$508,939	\$645,023	\$706,344
City Clerk:	\$188,937	\$145,323	\$154,900	\$177,802	\$183,037
Assessor:	\$165,628	\$151,954	\$150,696	\$183,099	\$175,409
City Building Maintenance:	\$84,870	\$137,015	\$86,851	\$91,149	\$93,517
Legal:	\$128,497	\$273,891	\$144,757	\$115,000	\$105,000
Police Department:	\$2,194,781	\$2,255,666	\$2,354,294	\$2,468,233	\$2,593,293
Fire Department:	\$1,365,189	\$1,521,706	\$1,908,777	\$2,018,188	\$2,138,930
Building Inspections:	\$159,586	\$165,022	\$177,522	\$196,832	\$213,863
Planning & Econ Development:	\$196,654	\$224,559	\$268,829	\$236,318	\$264,557
Public Works Department:	\$3,384,743	\$3,512,757	\$3,112,165	\$3,597,305	\$3,673,423
Public Agencies:	\$404,486	\$392,252	\$482,309	\$523,717	\$539,000
Parks and Recreation Department:	\$408,307	\$456,610	\$485,750	\$591,605	\$612,822
Debt Service:	\$1,866,463	\$1,673,623	\$1,561,785	\$1,741,770	\$1,286,517
Employee Benefits:	\$1,783,089	\$1,992,268	\$2,144,648	\$2,157,570	\$2,075,796
Insurances:	\$149,947	\$220,996	\$204,013	\$199,973	\$219,971
Contingency:	\$115,366	\$38,608	\$80,625	\$126,000	\$64,000
Education K-12:	\$19,619,605	\$20,655,631	\$21,655,673	\$22,967,853	\$24,394,998
York County Tax:	\$604,281	\$795,896	\$747,821	\$772,182	\$859,182
Capital Improvement Projects:	\$1,433,778	\$2,728,263	\$1,208,365	\$587,000	\$672,702
TOTAL OPERATING & CAPITAL PROJECTS:	\$34,713,201	\$37,899,697	\$37,649,163	\$39,613,522	\$41,089,352
Plus: Overlay				259,871	373,442
Plus: TIF Transfer				761,571	648,000
TOTAL BUDGET				\$40,634,964	\$42,110,794

Revenues/Surplus

The amount budgeted for revenues shows an average increase of 2.81% since 2002, with a high increase of 8.24% between 2002 and 2003, due to a larger than usual budgeted utilization of fund balance in order to minimize tax increases. Also, in the current budget of 9.68% due to higher state aid to education being received as part of the new “Essential Programs and Services” funding model. During this time actual revenues have been surpassing the estimated revenues resulting in a surplus at the end of each year. This trend appears to be continuing within the City of Saco. However, as we move forward revenue estimates are starting to inch closer to the actual revenues. This means that growth in expenditures will need to be leveled off in relationship to the City’s more modest growth in revenues. This is reflected in the current year budget with capital improvement projects funded at modest levels in order to minimize the raising of property taxes as much as possible.

	2002	2003	2004	2005	2006
Non-tax revenues	\$ 17,087,379	\$ 18,496,184	\$ 18,003,878	\$ 17,280,686	\$ 18,953,559
Percent change	0.00%	8.24%	-2.66%	-4.02%	9.68%

Obviously the amount of surplus funds being generated will reduce as actual revenues more closely reflect estimated revenues. At this time, the city has a healthy fund balance due to surplus funds. The city’s fund balance policy dictates that fund balance needs to be maintained at a level between 8.33% and 10% of budgeted appropriations. In the current year, \$736,215 has been budgeted as a utilization of this undesignated fund balance, which has accumulated as the level well exceeded the policy level. The \$360,000 of utilization on the city side is to fund minimal capital projects that might not otherwise have been able to be completed and to subsidize city operating expenditures due to reductions in non-property tax revenues. The \$376,215 of utilization on the school side is to stabilize the property tax increase in the current year. However, the city is very aware of the need to guard against a downturn in the economy, resulting in diminishing revenues and will still retain a fund balance level within the policy guidelines.

Major Increases

The major increases in the operational budget are negotiated salary/wage increases for the bargaining units representing all the various departments of the City, as well as non-union employees. Additional noteworthy increases are the hiring of a drug investigation detective within the Police Department and the increasing of a half time code enforcement officer to a full time position. Most City departments also have slight operational increases due to inflation and the increase in fuel and electricity costs being experienced in the last year. All photocopying expenditures of the various City departments have been consolidated and moved into the Finance/Technology Department, which explains the increase within that department. The Education Department increases are due to increases in tuition to the private high school, special education costs, health insurance increases and teacher contractual obligations.

Savings/Increased Demands

The city’s department head’s are always looking for ways to save the city money, whether through increased efficiencies or through the attainment of federal and state grants. The city is participating in a number of activities related to increased efficiencies between various city departments as well as with other communities in our southern Maine area. The city’s newly purchased software system was introduced on-line on January 6, 2004. This on-line program will provide access to employees, citizens and vendors 24 hours a day, 7 days a week while at the same time lessening the work burden on counter clerks within city hall. Joint collaborative purchasing efforts with neighboring communities exercises economies of scale in securing reduced pricing for larger purchase amounts such as fuel and paper supply.

The fiscal year 2006 budget also includes revenue amounts for specific state and federal grants that have been applied for. There is also a local match revenue account to fund those grants requiring a local contribution. There are also several other grant awards that will surface during the course of the fiscal year that were not known at the time of the budget process. These awards will be brought to the City Council for consideration upon being awarded and additional funding will be requested at that time, to fund any local match requirements above that originally budgeted.

The Future

In terms of the future, while we are in good financial shape at this time, with non-property tax revenues increasing due to the additional state aid being received through the Essential Programs and Services Funding Model, and being in compliance with the tax levy limitations implied with Public Law 1 tax reform. However, we need to be alert to the public benefit versus the costs of the services we provide. In short, as the budget better reflects actual revenues, and as we move into the future, we need to be careful of our spending so that we do not find ourselves in the position of expenditures outpacing revenues.

What is at stake for the City of Saco officials can be summed up in one word: effectiveness. Major challenges are facing us as we enter this new year with infrastructure and capital maintenance needs being reduced to enable the funding of operational needs of the city. Officials need to be cognizant of the need to preserve the city's most valuable assets as large deterioration can very often increase the amount ultimately spent in order to bring them back to acceptable and safe condition levels.

To that end, it is especially important that the City Council maintain and update regularly its comprehensive plan, goals and strategic plan, based upon guidance from appointed and elected officials as well as significant citizen involvement. These processes are already in place and underway with the mailing of citizen customer service questionnaires and web site request and recommendation forms accessible 24 hours a day, 7 days a week. By putting citizens and local government officials into the decision-making loop, the City will be shifting to a more open and inclusive process of governance.

The city is greatly pursuing performance measurement type initiatives and continues to review policies and procedures to assure their compliance and alignment with the city's recently completed Strategic Plan (March 2004). The City was successful at attaining a grant through the National Center for Civic Innovation in order to further this effort and completed its first Citizen Satisfaction Survey in November of 2004 and the first Performance Measurement Report in January of 2005 as a result of this grant award. It will be eminent for the City to review and update its strategic plan in the coming year. Although these initiatives are not specifically addressed within the current year budget, they will be important for the city's continued efficient growth into the future. The City is now working diligently with a citizen focus group in order to gain feedback as to what they see as a vision for the City as well as what they might deem important for goals and objectives to be incorporated within the next Strategic Plan. The recently completed annual report of performance information displays the operational efficiencies and effectiveness of our operations here at the City of Saco. The City's first submittal was successful at achieving the Association of Governmental Accountants Certificate of Excellence in Service Efforts and Accomplishments Reporting. These processes all involve reviewing processes and measuring results achieved by the municipality in the area of customer service delivery and presentation. It also involves a close look at all procedures to assure that efficiencies are being maximized. Whether it means changing a specific procedure to lessen expenditures realized or examining new sources of non-tax revenues, the city needs to be pro-active in its response. Certainly, whatever we can do to keep up with changing trends and emerging issues will help to improve the future fortunes of our citizens. Successful activities involving a collaborative effort between municipalities need to be reviewed as a potential solution to some of the budget challenges facing us and other municipalities.

A discussion of the future would not be complete without the mention of the recently enacted "Public Law 1 Tax Reform." This legislation was enacted within the State of Maine and impacted the approved fiscal year 2006 budget in that it limited the increase allowed in the annual property tax levy. This levy limitation is calculated based on two factors; one is certified by the State and is a state-wide personal income growth factor and the second is a local factor of the last known new growth percentage within each community. These two percentages are added together to arrive at the levy limitation percentage for each community across the State of Maine. The property tax levy in total can not increase by more than this amount without special disclosures made at the Town Meeting and special motions made in order to approve the budget noting why the budget is exceeding the levy limitation. The fiscal year 2006 approved budget for the City of Saco is in full compliance with Public law 1.

Summary

With the fiscal year 2006 adopted budget there is no increase to the existing tax rate. In fact, due to a recently completed valuation adjustment in order to bring values up to 95% of the state's equalized valuation, there will actually be a reduction of \$2.94 to the city's mil rate. This means that property owners will be billed \$12.96 per thousand in fiscal year 2006 versus the \$15.90 per thousand they were billed in fiscal year 2005. However, the valuation of properties in the city will be on average 22% higher than they were in fiscal year 2005. In other words, a property valued at \$150,000 previously and paying \$2,385 in property taxes annually may now be valued at \$183,000 and paying \$2,372 in property taxes annually. Basically no increase in property taxes for the citizens of Saco and an actual reduction of \$197,000 on the total City property tax levy. Not a bad investment considering the benefits being received and the service levels being provided across the city.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the Office of the Director of Finance at 300 Main Street, Saco, Maine, 04072, phone 207-283-3303, or e-mail lparker@sacomaine.org.

City of Saco, Maine
Statement of Net Assets
June 30, 2005

Statement 1

	Governmental Activities	Business-type Activities	2005 Total
ASSETS			
Cash and cash equivalents	\$ 7,025,556	\$ 1,599,513	\$ 8,625,069
Investments	4,398,950	-	4,398,950
Receivables:			
Accounts (net of allowance of \$130,000)	2,682,848	112,211	2,795,059
Taxes - current	713,845	-	713,845
Taxes - prior years	68,089	-	68,089
Tax liens	121,964	-	121,964
Notes (net of allowance of \$7,172)	14,287	-	14,287
Inventories and other	47,090	-	47,090
Internal balance	(2,190,505)	2,190,505	-
Prepaid items	178,266	-	178,266
Tax acquired property	58,359	-	58,359
Depreciable capital assets, net	15,326,814	4,869,911	20,196,725
Non-depreciable capital assets	37,733,899	-	37,733,899
Total assets	\$ 66,179,462	\$ 8,772,140	\$ 74,951,602
LIABILITIES			
Accounts payable and other current liabilities	1,982,680	74,774	2,057,454
Contract retainage payable	49,679	-	49,679
Accrued liabilities	2,155,287	33,792	2,189,079
Taxes collected in advance	27,126	-	27,126
Noncurrent liabilities			
Due within one year	2,359,176	-	2,359,176
Due in more than one year	18,567,534	-	18,567,534
Total liabilities	\$ 25,141,482	\$ 108,566	\$ 25,250,048
NET ASSETS			
Invested in capital assets, net of related debt	\$ 35,969,003	\$ 1,034,911	\$ 37,003,914
Restricted for:			
Permanent fund principal	181,383	-	181,383
Other purposes	229,138	-	229,138
Unrestricted	4,658,456	7,628,663	12,287,119
Total net assets	\$ 41,037,980	\$ 8,663,574	\$ 49,701,554

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Statement of Activities
For the Year Ended June 30, 2005

Statement 2

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type		2005 Total
						Activities	Activities	
Primary government:								
Governmental activities:								
General Government								
Public Safety	\$ 1,874,958	\$ 969,798	\$ 48,683	\$ 221,000	\$ (635,477)	\$ -	\$ -	(635,477)
Public Works	4,883,614	418,686	151,397	-	(4,313,531)	-	-	(4,313,531)
Housing Programs	4,586,385	489,365	111,309	211,908	(3,773,803)	-	-	(3,773,803)
Culture and Recreation	272,246	-	232,178	-	(40,068)	-	-	(40,068)
Education	626,204	323,471	-	-	(302,733)	-	-	(302,733)
County Tax	25,195,306	909,182	10,376,888	455,670	(13,453,566)	-	-	(13,453,566)
Unclassified	772,182	-	-	-	(772,182)	-	-	(772,182)
Interest on Debt	3,363,144	-	-	-	(3,363,144)	-	-	(3,363,144)
Capital Maintenance Programs	680,893	-	-	-	(680,893)	-	-	(680,893)
	1,894,297	-	-	548,638	(1,345,659)	-	-	(1,345,659)
Total governmental activities	\$ 44,149,229	\$ 3,110,502	\$ 10,920,455	\$ 1,437,216	\$ (28,681,056)	\$ -	\$ -	(28,681,056)
Business-type activities:								
Waste Water Treatment Plant	\$ 2,091,519	\$ 2,411,039	\$ -	\$ -	-	\$ 319,520	\$ 319,520	319,520
Total business-type activities	\$ 2,091,519	\$ 2,411,039	\$ -	\$ -	-	\$ 319,520	\$ 319,520	319,520
Total primary government	\$ 46,240,748	\$ 5,521,541	\$ 10,920,455	\$ 1,437,216	\$ (28,681,056)	\$ 319,520	\$ (28,361,536)	
General revenues:								
Property taxes, levied for general purposes		\$			\$ 23,444,228	\$ -	\$ -	23,444,228
Motor Vehicle excise taxes					2,883,127	-	-	2,883,127
Franchise fees					185,477	-	-	185,477
Grants and contributions not restricted to specific programs:								
Homestead Exemption					242,190	-	-	242,190
Other State aid					55,792	-	-	55,792
City of Biddeford Tax Base Sharing					140,091	-	-	140,091
State Revenue Sharing					1,448,360	-	-	1,448,360
Unrestricted investment earnings					216,963	38,159	-	255,122
Miscellaneous revenues					47,179	9,657	-	56,836
Transfers:					660,033	(660,033)	-	-
Total general revenues and transfers		\$			\$ 29,323,440	\$ (612,217)	\$ (612,217)	28,711,223
Change in net assets		\$			\$ 642,384	\$ (292,697)	\$	349,687
Net assets - beginning					40,395,596	8,956,271		49,351,867
Net assets - ending		\$			\$ 41,037,980	\$ 8,663,574	\$	49,701,554

See accompanying Notes to Basic Financial Statements.

**City of Saco, Maine
Balance Sheet
Governmental Funds
June 30, 2005**

Statement 3

	General Fund	Landfill Fund	Saco Island TIF District	Other Governmental Funds	2005 Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,886,831	\$ 1,451,604	\$ -	\$ 687,121	\$ 7,025,556
Investments	460,000	1,275,419	848,323	1,815,208	4,398,950
Receivables, net	839,027	-	500,898	1,342,923	2,682,848
Interfund receivables	2,424,262	-	-	387,393	2,811,655
Loans receivable	-	-	-	14,287	14,287
Taxes and liens receivable	903,898	-	-	-	903,898
Tax acquired property	58,359	-	-	-	58,359
Prepaid items	176,006	-	-	2,260	178,266
Inventories and other	-	-	-	47,090	47,090
Total assets	\$ 9,748,383	\$ 2,727,023	\$ 1,349,221	\$ 4,296,282	\$ 18,120,909
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,903,670	\$ -	\$ -	\$ 79,010	\$ 1,982,680
Contract retainage payable	-	-	49,679	-	49,679
Accrued liabilities	1,194,926	-	-	45,090	1,240,016
Taxes collected in advance	27,126	-	-	-	27,126
Interfund payables	-	1,394,460	2,217,017	1,390,683	5,002,160
Deferred revenue	445,560	-	-	-	445,560
Total liabilities	\$ 3,571,282	\$ 1,394,460	\$ 2,266,696	\$ 1,514,783	\$ 8,747,221
Fund balances:					
Reserved for:					
Encumbrances	\$ 144,980	\$ -	\$ -	\$ -	\$ 144,980
Prepaid items	176,006	-	-	-	176,006
Nonexpendable trust principal	-	-	-	181,383	181,383
Capital improvements	1,007,286	-	-	-	1,007,286
Inventory	-	-	-	8,779	8,779
Other purposes	-	-	-	220,359	220,359
Unreserved, reported in:					
General Fund- designated	376,215	-	-	-	376,215
General Fund- undesignated	4,472,614	-	-	-	4,472,614
Special revenue funds	-	-	-	1,910,085	1,910,085
Capital project funds	-	1,332,563	(917,475)	80,880	495,968
Permanent funds	-	-	-	380,013	380,013
Total fund balances	\$ 6,177,101	\$ 1,332,563	\$ (917,475)	\$ 2,781,499	\$ 9,373,688
Total liabilities and fund balances	\$ 9,748,383	\$ 2,727,023	\$ 1,349,221	\$ 4,296,282	
Amounts reported for governmental activities in the statement of net assets (Statement 1) are different because (See Note 4, also):					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					\$ 53,060,713
More specifically, non-depreciable & depreciable capital assets as reported on Statement 1					
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (See Note 1).					(21,841,981)
Noncurrent liabilities as reported on Statement 1	(20,926,710)				
Accrued liabilities (compensated absences) as reported on Statement 1	(915,271)				
	(21,841,981)				
Deferred revenues- more specifically, deferred property taxes not reported on Statement 1					445,560
Net assets of governmental activities					\$ 41,037,980

See accompanying Notes to Basic Financial statements.

City of Saco, Maine
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Statement 4

	General Fund	Landfill Fund	Saco Island TIF District	Other Governmental Funds	2005 Total Governmental Funds
REVENUES					
Taxes	\$ 26,703,395	\$ -	\$ -	\$ -	\$ 26,703,395
Licenses and permits	828,806	-	-	-	828,806
Intergovernmental	10,853,808	-	500,000	1,657,837	13,011,645
Intergovernmental on behalf payments	1,414,249	-	-	-	1,414,249
Charges for services	681,008	-	-	556,304	1,237,312
Other revenues	374,248	40,561	17,598	745,976	1,178,383
Total revenues	\$ 40,855,514	\$ 40,561	\$ 517,598	\$ 2,960,117	\$ 44,373,790
EXPENDITURES					
Current:					
General government	\$ 1,779,876	\$ -	\$ -	\$ -	\$ 1,779,876
Public safety	4,527,592	-	-	-	4,527,592
Public works	3,664,176	-	-	-	3,664,176
Housing programs	-	-	-	272,246	272,246
Culture and recreation	585,146	-	-	-	585,146
Education	22,006,935	-	-	1,774,122	23,781,057
Maine State Retirement on behalf payments	1,414,249	-	-	-	1,414,249
Unclassified	2,864,024	-	-	72,127	2,936,151
Intergovernmental:					
County tax	772,182	-	-	-	772,182
Debt service:					
Principal	1,737,045	-	-	-	1,737,045
Interest and other charges	1,024,189	-	-	-	1,024,189
Capital improvements	1,242,158	120,783	1,460,747	2,514,035	5,337,723
Total expenditures	\$ 41,617,572	\$ 120,783	\$ 1,460,747	\$ 4,632,530	\$ 47,831,632
Excess (deficiency) of revenues over (under) expenditures	\$ (762,058)	\$ (80,222)	\$ (943,149)	\$ (1,672,413)	\$ (3,457,842)
OTHER FINANCING SOURCES (USES)					
Capital lease proceeds	626,531	-	-	2,054,054	2,680,585
Transfers in	1,141,223	-	438,918	113,118	1,693,259
Transfers out	(884,878)	-	(25,000)	(123,348)	(1,033,226)
Total other financing sources (uses)	\$ 882,876	\$ -	\$ 413,918	\$ 2,043,824	\$ 3,340,618
Net change in fund balances	\$ 120,818	\$ (80,222)	\$ (529,231)	\$ 371,411	\$ (117,224)
Fund balances-beginning	5,745,896	1,412,785	(388,244)	2,410,088	9,180,525
Prior period adjustment	310,387	-	-	-	310,387
Fund balances-beginning, as restated	6,056,283	1,412,785	(388,244)	2,410,088	9,490,912
Fund balances-ending	\$ 6,177,101	\$ 1,332,563	\$ (917,475)	\$ 2,781,499	\$ 9,373,688

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2005

Statement 5

Net change in fund balances- total governmental funds (from Statement 4)	\$ (117,224)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because (see Note 1, also):

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense, with the exception of infrastructure which is recorded at historical cost and not depreciated as the Modified Approach is being used. More specifically, this is the amount by which capital outlays exceeded depreciation in the current period.

Statement 4 Capital Outlays -	\$ 5,337,723	
Statement 2 Capital Outlays -	\$ 1,894,297	
<hr/>		
Variance -	\$ 3,443,426	
Less: Depreciation -	\$ 1,414,371	
<hr/>		
To reconciliation -	\$ 2,029,055	2,029,055

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.

(242,210)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. More specifically, this represents the net amount of principal increases (decreases) in debt service made during the year.

(962,825)

New debt incurred -	(\$3,043,166)	
Retired debt -	\$2,080,341	
<hr/>		
Net debt service -	(\$962,825)	

Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in long term accrued compensated absences.

(64,412)

Change in net assets of governmental activities (see Statement 2)	\$ 642,384
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See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

Statement 6

	Budgeted Amounts			Actual Amounts	Variance with Final Budget-									
	Original	Final	Positive (negative)											
REVENUES														
Taxes	\$	25,875,588	\$	25,875,588	\$	26,703,395	\$	827,807						
Licenses and permits		523,621		523,621		828,806		305,185						
Intergovernmental	\$	10,849,798		10,849,798		10,853,808		4,010						
Charges for services	\$	1,152,038		1,152,038		681,008		(471,030)						
Interest earnings	\$	120,000		120,000		87,997		(32,003)						
Other revenues	\$	252,100		252,100		286,251		34,151						
Total revenues	\$	38,773,145	\$	38,773,145	\$	39,441,265	\$	668,120						
EXPENDITURES														
Current:														
General government	\$	1,927,492	\$	1,927,492	\$	1,779,876	\$	147,616						
Public safety	\$	4,515,029		4,515,029		4,527,592		(12,563)						
Public works	\$	3,641,329		3,641,329		3,664,176		(22,847)						
Culture and recreation	\$	635,572		635,572		585,146		50,426						
Education	\$	21,996,940		21,996,940		21,992,583		4,357						
County tax	\$	772,182		772,182		772,182		-						
Unclassified	\$	3,304,635		3,304,635		2,864,024		440,611						
Debt service	\$	2,745,042		2,745,042		2,761,234		(16,192)						
Capital improvements	\$	1,541,552		1,541,552		1,242,158		299,394						
Total expenditures	\$	41,079,773	\$	41,079,773	\$	40,188,971	\$	890,802						
Excess (deficiency) of revenues over (under) expenditures						\$	(2,306,628)	\$	(2,306,628)	\$	(747,706)	\$	1,558,922	
OTHER FINANCING SOURCES (USES)														
Transfers in		1,155,876		1,155,876		1,141,223		(14,653)						
Capital lease proceeds		-		-		626,531		626,531						
Transfers out		(761,571)		(761,571)		(884,878)		(123,307)						
Total other financing sources and uses	\$	394,305	\$	394,305	\$	882,876	\$	488,571						
Net change in fund balances						\$	(1,912,323)	\$	(1,912,323)	\$	135,170	\$	2,047,493	
Fund balances - beginning		5,745,896		5,745,896		5,745,896		-						
Prior period adjustment		310,387		310,387		310,387		-						
Fund balances - beginning, as restated		6,056,283		6,056,283		6,056,283		-						
Fund balances - ending	\$	4,143,960	\$	4,143,960	\$	6,191,453	\$	2,047,493						

Net change in fund balance for the general fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances (Statement 4) is different because:

Statement 4 is reported under the Modified Accrual basis of accounting and therefore includes the change in accrual for the Teachers summer salaries amount of

(14,352)

Ending Fund Balance (Statement 4)

\$ 6,177,101

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Statement of Net Assets
Proprietary Fund
June 30, 2005

Statement 7

	Business-type activities Enterprise Funds Waste Water Treatment Plant
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,599,513
Receivables, net	112,211
Interfund receivables	2,190,505
Total current assets	\$ 3,902,229
Noncurrent assets:	
Capital assets:	
Vehicles	\$ 120,689
Buildings	14,775,600
Equipment	2,325,390
Less accumulated depreciation	(12,351,768)
Total noncurrent assets	\$ 4,869,911
Total assets	\$ 8,772,140
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 74,774
Accrued liabilities	33,792
Total current liabilities	\$ 108,566
Total liabilities	\$ 108,566
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,034,911
Unrestricted	7,628,663
Total net assets	\$ 8,663,574

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2005

Statement 8

	Business-type activities Enterprise Funds Waste Water Treatment Plant
Operating revenues:	
Charges for services	\$ 2,411,039
Miscellaneous revenues	9,657
Total operating revenues	\$ 2,420,696
Operating expenses:	
Personnel services	\$ 545,682
Contractual services	176,300
Utilities	141,803
Repairs and maintenance	42,423
Other supplies and expenses	200,682
Capital improvements	488,351
Depreciation	496,278
Total operating expenses	\$ 2,091,519
Operating income	\$ 329,177
Nonoperating revenues (expenses):	
Interest revenues	\$ 38,159
Total nonoperating revenue (expenses)	\$ 38,159
Income before transfers	367,336
Transfers out	(660,033)
Total transfers out	\$ (660,033)
Change in net assets	\$ (292,697)
Total net assets - beginning	\$ 8,956,271
Total net assets - ending	\$ 8,663,574

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2005

Statement 9

	Business-type activities Enterprise Funds Waste Water Treatment Plant
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,479,321
Other receipts (payments)	9,657
Payments to suppliers	(1,015,462)
Payments to employees	(544,408)
Internal activity- payments from other funds	(259,991)
Net cash provided by operating activities	\$ 669,117
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ (660,033)
Net cash (used) in noncapital financing activities	\$ (660,033)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital asset purchases	\$ (25,187)
Net cash (used) in capital and related financing activities	\$ (25,187)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	\$ 38,159
Net cash provided by investing activities	\$ 38,159
Net increase in cash and cash equivalents	\$ 22,056
Balances- beginning of the year	1,577,457
Balances- end of the year	\$ 1,599,513
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 329,177
Adjustments to reconcile operating income to net cash provided (used) in operating activities:	
Depreciation expense	496,278
Change in net assets and liabilities:	
Receivables, net	68,282
Interfund receivables	(259,991)
Accounts and other payables	34,097
Accrued liabilities	1,274
Net cash provided by operating activities	\$ 669,117

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

Statement 10

	Agency Fund School Activity Funds
ASSETS	
Cash and cash equivalents	\$ 130,751
Total assets	\$ 130,751
LIABILITIES	
Due to student groups	\$ 130,751
Total liabilities	\$ 130,751

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Saco, Maine was incorporated in 1867 under the laws of the State of Maine. The City operates under a Mayor-Council and City Administrator form of government and provides the following services: general governmental services, public safety, public works (highways, streets and sewers), health, sanitation and welfare, culture and recreation, planning and zoning, education and public improvements. The Council is made up of seven members elected by registered voters.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the City's operations include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur, and supervision over the accounting functions. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the City reporting entity.

The accounting policies of the City of Saco conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies.

B. Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

C. Basis of Accounting/Measurement Focus

Government - Wide Financial Statements

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The major funds of the city are the general fund, the landfill fund and the Saco Island TIF Fund. The General Fund is the general operating fund of the city. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid through other funds. The landfill fund accounts for future expenditures of the monitoring and expansion of the city's old landfill site. The Saco Island TIF Fund accounts for property taxes received from this tax increment financing district and the capital improvements made within the same.

Additionally, the City reports the following fund type:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's only fiduciary funds include: agency funds (school activity funds).

GOVERNMENTAL FUNDS

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state motor vehicle excise taxes. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded and deferred until they become available.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt as well as expenditures related to certain compensated absences and claims and judgments are only recorded when payment is due. Allocation of costs, such as depreciation, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Proprietary fund types have selected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Accounting Standards Board Statement No. 20.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances within the fund financial statements, since they do not constitute expenditures or liabilities and are added to the subsequent year's adopted appropriations.

E. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. City policy is that deposits can only be made in financial institutions insured by the FDIC. The City's investment policy authorizes investments in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, certain corporate bonds, certain certificates of deposit and certain money market funds. The City invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines as provided by the City's Investment Policy.

Investments are reported at fair value except for money market investments that have a remaining maturity at time of purchase of one year or less are stated at amortized cost. Income earned from the investments of pooled cash is allocated to the various funds on the basis of the average cash balance allocated to each fund.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Inventories

Inventory is valued at cost using the first in, first out method. Inventory within the governmental activities consists of those within the School Nutrition Program (Governmental Special Revenue Fund).

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items.

J. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$8,000. The City has chosen the Modified Approach for reporting the infrastructure assets of the City. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings- 40 years
Building Improvements- 40 years
Vehicles- 5 years
Office furniture and fixtures- 7 years
Equipment- 10-20 years
Computer equipment- 3 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local government's basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the 2004-2005 Basic Financial Statements. The City developed an implementation plan to determine the value of and include infrastructure costs.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street system; water purification and distribution system; sewer collection and treatment system; park and recreation lands and improvement system; storm water conveyance system; and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curbing, sidewalks, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City elected to use the Modified Approach as defined by Statement No. 34 for infrastructure reporting. The City commissioned a physical assessment of all infrastructure conditions in 2000 and again three years later in 2003. This condition assessment will continue to be performed every 3 years. In 2000, the City commissioned a physical condition assessment of the streets which was completed and dated February, 2001. The city commissioned a second physical condition assessment of its streets in 2003. These streets, primarily concrete, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. This condition assessment will be performed every three years. Each street was assigned a physical condition based on 17 potential defects. A pavement condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined: Good condition was assigned to those segments with a rating between 80-100 and given a 1 rating within the asset management system, Fair condition was assigned to those segments with a rating between 65-79 and given a 2 rating within the asset management system, Poor condition was assigned to those segments with a rating between 50-64 and given a 3 rating within the asset management system, and a Substandard condition was assigned to those segments with a rating between 0-49 and given a 4 rating within the asset management system. The City's policy relative to maintaining the street assets is to achieve a minimum rating of 70 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds.

In 2001 and again in 2004, the City subcontracted with an independent engineering firm to inventory and perform a condition assessment on all other City infrastructure assets. These other infrastructure assets, sewer pipe, catch basins and manholes, storm drainage, sidewalks, traffic lights and signage, were then combined with the streets on the City's Asset Management System. Per the rating system noted above, each infrastructure asset was assigned a condition assessment based on a visual inspection conducted on each asset.

The City's policy relative to maintaining other infrastructure assets is to achieve a minimum rating of 2 for all other infrastructure assets.

For all other capital assets; buildings, vehicles, equipment, the City elects to use the Basic Approach as defined by Statement No. 34 for reporting. The City conducted an inventory of all other capital assets for fiscal year 2000 and has completed an internal update for June 30, 2005.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

This original and updated process determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost.

K. Compensated Absences

Under terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. Employees are paid for allowable accruals upon termination of employment.

In the fund financial statements, no amount is recorded unless the amount is to be paid out shortly after year-end. But the full liability is recorded in the government-wide statements.

L. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. In the fund financial statements, for other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

M. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure, or are legally segregated for a specific future use.

Encumbered amounts are also reflected as a reserve for encumbrances in the fund financial statements.

N. Landfill Closure and Postclosure Care Cost

Statement No. 18 of the Government Accounting Standards Board entitled: Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs” requires the City to record a liability for the estimated costs of landfill closure and postclosure care, as required by government authorities.

State and federal regulations require that the City place a final cover on its current operating landfills when waste is no longer accepted and to perform certain maintenance and monitoring functions at these sites for a period of thirty years after closure. In addition to operating expenditures related to current activities of the landfills, a related liability is required to be recognized based on the future closure and postclosure care costs that will be paid near or after the date that the landfills stop accepting waste. The City of Saco has one landfill, closure of which is complete. Some monitoring costs will be required in the future, however these costs are not deemed to be material and were therefore not recorded as a liability.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 2 - DEPOSITS AND INVESTMENTS

The City's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk.

Deposits

Custodial Credit Risk- City Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does have a deposit policy for custodial credit risk. This policy details eligibility for authorization to include banks or savings and loans that are a member of the FDIC and meet the following minimum credit criteria: (1) qualify as a depository of public funds in the State of Maine as defined in Title 30-A, Section 5706 of the Maine Revised Statutes, (2) have a Highline Data Peer Group rating of a 30 or better and (3) have a Financial Publishing rating of a 125 or better. As of June 30, 2005, the City reported deposits of \$8,755,820 with a bank balance of \$7,682,787. Of the City's bank balances of \$7,682,787, \$0 was exposed to custodial credit risk. The entire balance of \$7,682,787 was covered by the F.D.I.C. or by additional insurance purchased on behalf of the City by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$ 7,025,556
Reported in proprietary funds	\$ 1,599,513
Reported in agency funds	\$ 130,751

Total deposits	\$ 8,755,820
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Investments

Custodial Credit Risk- City Investments: For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does have a deposit policy for custodial credit risk as is outlined above. Of the City's \$4,398,950 invested in money market funds, savings bonds and repurchase agreements, 100% was collateralized by underlying securities held by the related bank in the City's name.

At June 30, 2005, the City had the following investments and maturities:

	Fair Value	Less than 1 year	1-5 years	More than 5 years
Money market funds	\$2,104,751	\$2,104,751	\$ -	\$ -
Savings bonds	\$ 15,000	\$ 15,000	\$ -	\$ -
Repurchase agreements	\$1,003,780	\$1,003,780	\$ -	\$ -
Total investments	\$4,398,950	\$4,398,950	\$ -	\$ -

Investments have been reported as follows:

Reported in governmental funds	\$4,398,950
Total investments	\$4,398,950

Interest Rate Risk: The City does have a policy related to investment rate risk. This policy details that the investment and cash management portfolio be designed to attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities and cash flow requirements.

Credit Risk: Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The City does have a formal policy related to credit rate risk as is detailed above.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 3 – PROPERTY TAXES

The City's property tax is levied on the assessed value listed as of the prior April 1 for all taxable real and personal property located in the City. Assessed values are periodically established by the assessor at 100% of assumed market value. Each property must be reviewed no less than once every four years. The assessed value for the list of April 1, 2004, upon which the levy for the year ended June 30, 2005 was based, was \$1,468,822,600. This assessed value was 85% of the estimated market value and 94.56% of the 2005 state valuation of \$1,553,400,000.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$259,871 for the year ended June 30, 2005.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the 2004-2005 and 2003-2004 levies respectively:

	<u>2004-2005</u>	<u>2003-2004</u>
Assessed Value	\$1,468,822,600	\$1,136,489,900
Tax Rate (per \$1,000)	<u>15.90</u>	<u>18.70</u>
Commitment	\$ 23,354,279	\$ 21,252,361
Supplemental Taxes Assessed	<u>80,077</u>	<u>77,593</u>
	\$ 23,434,356	\$ 21,329,954
Less: Collections and Abatements	<u>22,720,511</u>	<u>20,596,408</u>
Receivable at June 30, 2005 and 2004	<u>\$ 713,845</u>	<u>\$ 733,546</u>
Due Dates	□□□ 9/10/04 □□□ 3/11/05	□□□ 9/12/03 □□□ 3/12/04
Interest Rates on Delinquent Taxes	6.5%	9.0%
Collection Rate	97%	97%

Of the total taxes committed for the year ended June 30, 2005, \$438,918 was allocated to the Saco Island TIF District, \$54,743 was allocated to First Light Technology, Inc., \$11,461 was allocated to Transparent Audio, \$84,723 was allocated to the Spring Hill TIF, \$86,288 was allocated to the Hampton Inn, and \$92,172 was allocated to Saco Plaza LLC, under the approved incremental tax levied on the Tax Increment Financing Districts' "captured assessed value" (see Note 9).

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 4 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the “modified approach” as defined by GASB Statement No. 34 for infrastructure reporting. As a result, no accumulated depreciation or depreciation expense has been recorded for these assets. A more detailed discussion of the “modified approach” is presented in the Required Supplementary Information section of this report. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense has been recorded. The table below presents summary information on infrastructure assets for the years ending June 30, 2004 and 2005.

City of Saco, Maine				
Infrastructure Assets - June 30, 2005 and 2004				
Description	Historical Cost	Accumulated Depreciation	Net Cost 2005	Net Cost 2004
Governmental Activities:				
Modified Approach:				
Sewer pipe	\$ 11,976,764	\$ -	\$ 11,976,764	\$ 11,976,764
Catch basins and manholes	2,079,819	-	2,079,819	2,079,819
Storm drainage	17,367,653	-	17,367,653	17,367,653
Sidewalks	1,501,179	-	1,501,179	1,501,179
Street Pavement System	3,987,846	-	3,987,846	3,987,846
Traffic signals	775,820	-	775,820	775,820
Street signs	44,818	-	44,818	44,818
Total Governmental Activities	\$ 37,733,899	\$ -	\$ 37,733,899	\$ 37,733,899

Capital assets of the City for the years ended June 30, 2004 and 2005, consisted of the following:

City of Saco, Maine				
Capital Assets				
	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Governmental Activities:				
Buildings and Improvements	\$ 33,435,113	\$ 2,491,884	\$ (1,604,546)	\$ 34,322,451
Vehicles	5,185,773	606,844	(121,110)	5,671,507
Machinery and Equipment	4,672,937	344,698	-	5,017,635
Total	43,293,823	3,443,426	(1,725,656)	45,011,593
Accumulated Depreciation	(29,996,064)	(1,414,371)	1,725,656	(29,684,779)
Total Governmental Activities	\$ 13,297,759	\$ 2,029,055	\$ -	\$ 15,326,814

The change in accumulated depreciation can be further detailed by major class of assets as follows:

Vehicles	\$ 252,327
Buildings	\$ (908,688)
Equipment	\$ 279,456
TOTAL	\$ (311,285)

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 4 – CAPITAL ASSETS, Continued

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Business-Type Activities:				
Buildings and Improvements	\$ 14,776,600	\$ -	\$ -	\$ 14,775,600
Vehicles	95,500	25,187	-	120,687
Machinery and Equipment	<u>2,325,390</u>	<u>-</u>	<u>-</u>	<u>2,325,390</u>
Total	17,196,490	25,187	-	17,221,677
Accumulated Depreciation	(11,855,488)	(496,278)	-	(12,351,766)
Total Business-Type Activities	<u>\$ 5,341,002</u>	<u>\$ (471,091)</u>	<u>\$ -</u>	<u>\$ 4,869,911</u>
Total Capital/Infrastructure	<u>\$ 56,372,660</u>	<u>\$ 1,557,964</u>	<u>\$ -</u>	<u>\$ 57,930,624</u>

The change in accumulated depreciation can be further detailed by major class of assets as follows:

Vehicles	\$ 5,038
Buildings	\$ 379,232
Equipment	<u>\$ 112,008</u>
TOTAL	<u>\$ 496,278</u>

For the year ended June 30, 2005 and 2004, depreciation expense on capital assets was charged to the government functions as follows:

	<u>2005</u>	<u>2004</u>
General Government	\$ 95,082	\$ 95,083
Public Safety – Police	141,806	152,553
Public Works	282,874	290,870
Parks and Recreation	41,058	41,056
Public Safety – Fire	214,216	211,751
Education	<u>639,335</u>	<u>371,338</u>
Total Depreciation Expense	<u>\$1,414,371</u>	<u>\$1,162,651</u>

For the year ended June 30, 2005 and 2004, repairs and maintenance expenses on capital and infrastructure assets were charged to the government functions as follows:

	<u>2005</u>	<u>2004</u>
Public Safety – Police	\$ 100,059	\$ 80,003
Public Safety – Fire/Ambulance	51,370	36,141
Public Works	468,491	600,658
Capital Improvement Projects	<u>564,414</u>	<u>965,634</u>
Total repairs & maintenance expense	<u>\$1,184,334</u>	<u>\$ 1,682,436</u>

Note 5- COMPENSATED ABSENCES

The City's policy relating to compensated absences is described in Note 1. The long-term portion of this debt, amounting to \$915,271 for governmental activities and \$21,002 for business-type activities at June 30, 2005, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund, with a minor amount being paid from certain special revenue funds.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 6 - LONG-TERM DEBT

The following is a summary of long-term debt transactions within the governmental activities for the City for the year ended June 30, 2005:

	Bonds & Notes Payable	Capital Leases Payable	Compensated Absences	Total
Debt Payable at June 30, 2004	19,213,823	750,062	850,859	20,814,744
Add: New debt payables	<u>-</u>	<u>3,043,166</u>	<u>1,063,482</u>	<u>4,106,648</u>
	19,213,823	3,793,228	1,914,341	24,921,392
Less: Debt retired	<u>1,737,045</u>	<u>343,296</u>	<u>999,070</u>	<u>3,079,411</u>
Debt Payable at June 30, 2005	17,476,778	3,449,932	915,271	21,841,981

Long-term debt payable at June 30, 2005 is comprised of the following:

<u>General Obligation Bonds</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
1985 Capital Improvement	5.20 - 8.90%	2005	60,000	60,000
1989 Capital Improvement	7.25 - 7.30%	2009	775,000	155,000
1991 School Construction	7.40 - 7.50%	2010	1,410,000	235,000
1996 Route 1 Sewer	5.551%	2016	3,480,000	290,000
1996 Police Station	5.60%	2016	1,200,000	100,000
2002 School Renovation	None	2012 (1)	811,853	115,979
2002 School Renovation	3.25% - 5.00%	2022	5,040,000	300,000
2003 Refunding Bond	3.85%	2018	2,604,925	186,066
2002 Refunding Bond	2% - 4.5%	2014	1,635,000	180,000
1988 Sewer Project	5.70 - 7.70%	2008	<u>460,000</u>	<u>115,000</u>
			<u>\$17,476,778</u>	<u>\$ 1,737,045</u>

(1) The original amount of this note was for \$2,456,690, of which \$1,296,901 has been forgiven by the state. The City's outstanding portion at June 30, 2005 was \$811,853.

The annual requirements to amortize General Obligation Bonds outstanding as of June 30, 2005 for both governmental activities and business-type activities are as follows:

<u>Year</u>	<u>Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2006	1,737,045	644,579	2,381,624
2007	1,672,045	574,171	2,246,216
2008	1,667,045	504,606	2,171,651
2009	1,667,045	434,687	2,101,732
2010	1,547,045	368,121	1,915,166
2011-2015	5,597,289	1,172,655	6,769,944
2016-2020	2,999,264	410,394	3,409,658
2021-2022	<u>590,000</u>	<u>44,251</u>	<u>634,251</u>
	<u>\$17,476,778</u>	<u>\$4,153,464</u>	<u>\$ 21,630,242</u>

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 6 - LONG-TERM DEBT, Continued

Leases that qualify as capital leases for accounting purposes have been recorded at the present value of future minimum lease payments as of the date of the inception. The School, Fire and Public Works Department leases are reported as a liability in the government wide financial statements. The following presents a summary of the capital lease commitments as of June 30, 2005:

	<u>Original Purchase Price</u>	<u>Annual Depreciation Expense</u>	<u>Total Minimum Lease Payments</u>	<u>Interest</u>	<u>Present Value of Minimum Lease Payments</u>
Public Safety IMC Software	153,806	30,761	45,663	2,000	43,663
Public Works – 2002 Loader	210,150	42,030	36,233	1,127	35,106
Public Works – various equipment	626,532	125,306	687,664	137,539	550,125
Fire Department – Brush truck	96,650	9,465	95,401	14,651	80,750
City-wide recycling bins	589,872	39,325	498,349	78,045	420,304
Public Schools – Modular Class	58,356	5,835	64,101	5,745	58,356
Public Schools – copiers	139,856	27,971	154,022	14,166	139,856
Public Schools – Software	55,464	11,093	60,867	5,403	55,464
Public Schools – Modular school	2,054,054	102,703	2,211,373	157,319	2,054,054
Public Schools - Energy Mgmt.	466,268	23,313	<u>12,357</u>	<u>103</u>	<u>12,254</u>
			<u>\$3,866,030</u>	<u>\$416,098</u>	<u>\$3,449,932</u>

The annual requirements to amortize Capital Lease Obligations outstanding as of June 30, 2005 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Obligation</u>
2006	622,131	119,633	741,764
2007	593,925	98,741	692,666
2008	594,539	74,769	669,308
2009	597,493	52,981	650,474
2010	620,523	27,382	647,905
2011-2014	<u>421,321</u>	<u>42,592</u>	<u>463,913</u>
	<u>\$3,449,932</u>	<u>\$416,098</u>	<u>\$3,866,030</u>

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of the state valuation of such municipality. Additionally, no municipality shall incur debt in the aggregate in excess of 15% of its stated assessed valuation. The City's outstanding debt at June 30, 2005, of \$20,926,710, was \$212,083,290 below the City's statutory debt limit.

Total interest expended was \$716,117, for the year ended June 30, 2005.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 7 - OVERLAPPING DEBT

The City's proportionate share of York County's debt (determined by the percentage of the City's state valuation to the County's state valuation) is not reported in the City's financial statements. Debt service is included in the annual county assessment to the City. At June 30, 2005, the City's equalized State valuation of \$1,553,400,000 was 6.87% of the County's equalized State Valuation of \$22,623,450,000. The City's share is 6.87%, or \$1,154,160 of York County's \$16,800,000 long-term debt outstanding as of June 30, 2005.

Note 8- CONTINGENT LIABILITIES

Grant Funds

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowance claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation

The City is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the City has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the City.

Note 9 - TAX INCREMENT FINANCING DISTRICT

Under Title 30, Subchapter II-B of Maine State statutes, the City formed a Tax Increment Finance (TIF) District to finance certain public improvements to Saco Island, formerly known as Factory Island. The expenditures from this development project will be recouped in future years via an incremental tax levied upon the Districts' "captured assessed value" over a fifteen year period to expire December 30, 2016. The tax increment will be held in the form of a sinking fund. The short-term financing mechanism for the public improvement projects is a reimbursement agreement between the City and the project developer.

The City originally established the Saco Island Tax Increment Financing (TIF) District in 1985 and amended it in 1986. The agreement required certain improvements and required the City to collect monies in a sinking fund. The developer and his successors were reimbursed for these improvements. The length of this agreement was 15 years from the date of approval of the second TIF.

In March of 1999 the Maine Department of Economic and Community Development accepted the City's application to amend the Saco Island Tax Increment Financing District. It authorized the City to capture increased assessed value for a period of fifteen years, add approximately 7.5 acres to the District, and revise the program of public improvements, as part of the City's continuing revitalization effort of the Downtown and Saco Island, and in response to the state of Maine's need for a train station on Saco Island. In addition to improvements within the District, TIF proceeds will be used to organize, construct and improve parking areas within 500 feet of the District.

The City will continue to recapture one hundred percent of the first \$14,400,000 in increased assessed value to fund the completion of the improvements within the amended development program. The City will pay for all public improvements in the District, utilizing municipal tax increment revenues on retained captured assessed value

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 9 – TAX INCREMENT FINANCING DISTRICT, Continued

generated by the District and deposited into the Development Program Fund. The City will utilize available Federal funds, to finance a share of the construction costs of the rail station, and other grant funds as they become available. The City will not incur any general obligation bond indebtedness in connection with this program.

Also, in February 1997, the City formed a Tax Increment Finance (TIF) District to assist First Light Technology, Inc. (The Company) in acquiring real estate, constructing a manufacturing and research building, and to assist the City in financing the costs of the Public Improvements or to pay the costs of constructing such improvements directly. Under the Development Program, the City will make a portion of the newly-generated tax revenues within the District available to the Company for a period of (5) years pursuant to a credit enhancement agreement, which is a contract between the City and the Company. This portion will be equal to 40 percent of the increased value of the real estate (including buildings).

The remaining portion of the new real estate tax revenues (60 percent) and a portion of the new personal property tax revenues (50 percent, exclusive of existing equipment moved to the new location) will be captured for a period of twenty (20) years and used or held for use in connection with the Public Improvements. All remaining tax revenues will become part of the City's general tax revenues. After expiration of the five year period, the portion paid into the City's general fund will include the tax revenues previously returned to the Company.

In July 1998, the City formed a TIF District to assist Transparent Audio, Inc. (the Company) in constructing a building, real property improvements, and additional personal property acquisitions. During the first ten (10) years of the Development Program, the City will capture one hundred percent (100%) of the increase in assessed value due to the Real Property Improvements, allocating during years one through five, forty (40%) percent of the incremental municipal tax increment revenues from the Real Property Improvements (the "Real Property Captured Tax Increment Revenues") to the Company pursuant to a credit enhancement agreement ("the Company Increment Portion"). The agreement also provides that twenty percent (20%) of such revenues will be allocated to the Company during years six through ten. No part of the incremental revenues from the Additional Personal property will be returned to the Company pursuant to the Development Program.

The Real Property Captured Tax Increment Revenues shall be calculated based on real property values in excess of the City's valuation of the District as of April 1, 1998 (\$53,600). The Company Increment Portion will be used by the Company either to pay costs of the Project directly or to pay debt service used to finance costs of the Project. The Project costs financed with Real Property Captured Tax Increment Revenues will represent only a portion of the total costs of the Project. All additional costs of the Company in respect of the Project will be the responsibility of the Company. After ten years, the Company will have no further right to the Company Increment Portion, and it will form part of the City's general revenues.

Saco Plaza, Inc. (the Company) has developed the real estate constituting the District and constructed an 80-100 room hotel and allied facilities (conference facilities and restaurant) along with related physical improvements thereon (the Project). The purpose of the District is to assist the Company in financing the costs of the Project, and to assist the City in economic development in the North Street – Maine Turnpike area, and to assist in furtherance of the Industrial Park Road expansion. During the first five (5) years of the Development Program, the City will capture 100% of the increase in assessed value due to real and personal property improvements, allocating this captured incremental municipal tax revenue between the Company (the "Company Incremental Portion") and the City ("City Increment Portion") pursuant to a credit enhancement agreement between Company and City. The credit enhancement

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 9 – TAX INCREMENT FINANCING DISTRICT, Continued

agreement provides that forty (40) percent of the Captured Incremental Revenues during this initial five (5) year period will be made available to the Company while sixty (60) percent of the Captured Incremental Revenues will flow to the City for economic development purposes both in the North Street – Maine Turnpike area, and with expanding the Industrial Park Road. During the final five (5) years of the Development Program, the City will capture only forty (40) percent of the incremental increase in assessed values due to real and personal property improvements, allocating this revenue to the Company pursuant to the credit enhancement agreement. The remaining sixty (60) percent of increased assessed value will not be captured in the final five (5) years of the Project but will flow to the City's General Fund.

JVW Hotels, LLC (Hampton Inn) has developed the real estate within the City's industrial park constituting the District and constructed a 100 room hotel with meeting facilities, indoor pool, health club, coin laundry, complimentary breakfast and a convenience shop in the District (the Project). The purpose of the District is to assist the Company in financing the costs of the Project, and to assist the City in economic development within the industrial park. During the first five (5) years of the Development Program, the City will capture 100% of the increase in assessed value due to real and personal property improvements, allocating this captured incremental municipal tax revenue between the Company (the "Company Incremental Portion") and the City ("City Increment Portion") pursuant to a credit enhancement agreement between the Company and City. The credit enhancement agreement provides that forty (40) percent of the Captured Incremental Revenues during this initial five (5) year period will be made available to the Company while sixty (60) percent of the Captured Incremental Revenues will flow to the City for economic development purposes within the industrial park. After this five-year period expires, 100% of the tax revenue will flow to the City's General Fund.

In March 2002, the City formed a TIF District (Spring Hill Municipal Development and Tax Incremental Financing District) for the creation of a municipal development and tax increment-financing district within the Spring Hill section of the Saco Industrial Park and adjacent areas. The adjacent areas include a portion of the railroad right of way for the Saco Industrial Park, a portion of the proposed Saco 67 Business Park across Route 1 from the Spring Hill section, and a portion of the Route 1 right of way where the installation of a traffic light and a sewer are contemplated. The goal of this TIF district is to provide for the creation of serviced business park lots and to permit the purchase of land therefore, to provide for additional rail service to an existing industrial park, to provide for traffic improvements such as a traffic light required by these industrial developments, and to provide for the installation of a public sewer system in an area of industrial, business, and commercial zoning to enhance the facilities for business and industrial development. During the first ten (10) years of the Development Program, the City will capture one hundred percent (100%) of the increase in assessed value due to the Real Property Improvements, allocating all 100% to the Development Program. After the tenth year, the tax revenues will flow into the City's General Fund.

Note 10 – TAX BASE SHARING WITH THE CITY OF BIDDEFORD

Tax base sharing is established under Title 30-A of the Maine Revised Statutes, as amended, to increase the likelihood of orderly development and to provide an incentive for coordinated multi-community economic development by permitting two or more communities to share their tax base. Any two or more municipalities may, by vote of their legislative bodies, enter into an agreement to share all or a specific part of the commercial, industrial or residential assessed valuation located within their respective communities. The shared valuation is assessed in the municipality in which the property is located, taxed at the rate applicable in that municipality and collected by the respective municipality. The share of the tax, as specified in the agreement, must be remitted within fifteen days to the other municipalities on the basis of the terms of the agreement. For the fiscal year end June 30, 2005, the City of Saco's share of the tax base sharing revenue was \$140,091.

Note 11 - RELATED PARTY TRANSACTIONS

The Lucia Kimball Deering Trust is related to the Kimball Health Center through common directorships. Beginning in May 1986, the amount due to the Trust from the Kimball Health Center was being reimbursed at the rate of \$500 per month. However, the reimbursement amount is left to the discretion of the Board of Directors. No interest is charged on this loan, which had an outstanding balance of \$863,696 at June 30, 2005.

Note 12 - CLASSIFICATION OF NET ASSETS AND FUND BALANCE

In the Government-Wide financial statements net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt- This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets- This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. This category presents restrictions placed on the categories of Capital Projects, and Specific Projects and Programs as established by City Council.

Unrestricted Net Assets- Represent the net assets of the City, not restricted for any project or other purpose.

In the Fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2005, reservations of fund balance are described below:

Reserved for Encumbrances- These reserves represent the portion of purchase orders and contracts awarded for which goods and services have not yet been received.

Reserved for Prepaid items- These reserves represent the portion of insurance expenditures paid for policies good through a future date.

Reserved for Capital Improvement Projects- These reserves represent specific projects and programs for which the City has made a commitment towards completion through adoption of the City Budget and 5-Year Capital Improvement Plan.

Reserved for Inventory- These reserves represent that portion reserved for the value of inventory at year end.

Reserved for Nonexpendable trust principal- These reserves represent that portion of originally contributed trust fund assets restricted from disbursement.

Reserved for other purposes- These reserves represent that portion of Special Revenue Fund grants restricted for grant intended purposes.

Note 13 – DEFICIT FUND BALANCES

The City's Special Revenue Funds for the Ambulance Fund and Wellness Grant, as well as the City's Major Capital Project fund for the Saco Island TIF are carrying forward fund deficits as of June 30, 2005. These deficits will be funded by future operations through anticipated revenues to be received.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 14 - RETIREMENT SYSTEM

Maine State Retirement – Consolidated Plan

Description of the Plan – The City contributes to Maine State Retirement System Consolidated Plan, a cost sharing multiple-employer public employee retirement system established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy – Plan members are required to contribute 6.5% of their annual covered salary and the City of Saco is required to contribute an actuarially determined rate. The current rate is 0% of annual covered payroll. The contribution rates of plan members and the City of Saco are established and may be amended by the Maine State Retirement System Board of Trustees. The City's contributions to the Maine State Retirement System Consolidated Plan for the years ended June 30, 2005, 2004 and 2003 were \$0, \$0 and \$0 respectively, equal to the required contributions for each year. This is due to the fact that necessary contributions to the plan are being offset by existing credits.

Maine State Retirement – Teacher's Group

Description of the Plan – All school teachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy – Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$1,414,249 (17.77%) for the fiscal year 2005. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis fund financial statements (Statement 4) as well as the entity wide financial statements (Statement 2). There is no contribution required by the School except for federally funded teachers, for which the School contributed 17.77% of their compensation. This cost is charged to the applicable grant and amounted to \$52,616 (17.77%) for the year ending June 30, 2005, \$51,650 (17.62%) for the year ending June 30, 2004, and \$51,008 (19.17%) for the year ending June 30, 2003.

Deferred Compensation Plan

In lieu of coverage under the Maine State Retirement System, City employees may elect to participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The plan vests at the end of two years of service and 100% at the end of three years. The City expended \$145,631 (5%) for the year ended June 30, 2005, \$98,060 (5%) for the year ended

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 14 - RETIREMENT SYSTEM, Continued

June 30, 2004 and \$169,333 (5%) for the year ended June 30, 2003. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the City's financial statements.

Other

Additionally, the City participates in the Social Security Retirement Program. The City's contribution to Social Security was approximately \$448,496 for the year ended June 30, 2005, \$574,996 for the year ended June 30, 2004, and \$454,290 for the year ended June 30, 2003.

Note 15 - OTHER DISCLOSURES

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; and natural disasters for which the City either carries commercial insurance, or participates in a public entity risk pool. Currently, the City participates in a public entity risk pool for its workers compensation insurance sponsored by the Maine Municipal Association. Based on the coverage provided by the pool, as well as coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2005. There were no significant reductions in insurance coverage from that of the prior year. Settled claims have not exceeded insurance coverage for any of the past three fiscal years. The amount of unpaid claims was \$0 at June 30, 2005 and 2004.

Note 16 – BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished. The City legally adopts annual budgets for the Governmental General Fund and the Business-Type Waste Water Treatment Plant Fund.

The Annual Budget serves from July 1 to June 30, and it is a vehicle to accurately and openly communicate these priorities to the community, businesses, vendors, employees and other public agencies. In addition, it establishes the foundation of effective financial planning. The budget provides resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City of Saco, Maine's budget is prepared and based on four expenditure categories; personnel, operations & maintenance, other expenditures and capital improvement programs. The first three listed are considered operational in nature or known as *recurring costs*. Capital Improvement Projects are asset acquisitions, facilities, systems, and infrastructure improvements, etc. typically over \$8,000, and/or those items "outside" of the normal operational budget, these are known as *one-time costs*.

The accounts of the City are organized on the basis of funds.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 16 – BUDGETARY INFORMATION, Continued

The City collects and records revenue and expenditures within the following categories:

- Governmental Activities
- Business-Type Activities

The Governmental Funds include the General Fund, Special Revenue Funds, Capital Project Funds and the Permanent Funds. All funding sources are kept separate, for both reporting and for uses of the money. The General Fund is where most City services are funded that are not required to be segregated.

The budget process begins as a team effort in January of each year, starting with an annual strategic planning meeting, then from this, the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The City Administrator and the Finance Director review each budget proposal, revenue assumptions and all current financial obligations, before preparing the proposed document to the City Council. The City Council reviews the Proposed Budget, through a series of workshop meetings, with the final adoption scheduled during the first council meeting in June.

According to the City Charter, the departments are allowed to carry over unspent portions of their individual capital budgets which then can be used in future years. For the Governmental Activities and the Business-Type Activities of fiscal year 2004-2005 the amounts carried over by the departments totaled \$1,007,286 and \$3,487,282 respectively, with a like amount designated in the General Fund balance under the title of Restricted for Capital Projects. The department totals were as follows:

Department	Carryover
<i>Governmental Activities:</i>	
Building Maintenance	8,177
Public Works	136,295
Capital Improvement Projects	<u>862,814</u>
Total Governmental Activities	<u>1,007,286</u>
<i>Business-Type Activities:</i>	
Waste Water Treatment Plant	<u>3,487,282</u>
Total Business-Type Activities	<u>3,487,282</u>

See Statement 6 Within the Government-wide financial statements for a Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for an analysis of the original approved budget versus the final budget and actual amounts.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 17 – INTERFUND ACCOUNTS

Due from/to other funds at June 30, 2005 consist of the following:

	<u>Due from</u>	<u>Due to</u>
General Fund	\$2,424,262	\$ -
Special Revenue Funds	335,760	1,371,387
Capital Project Funds	51,633	19,296
Landfill Fund	-	1,394,460
Saco Island TIF Fund	-	2,217,017
Proprietary Funds	2,190,505	-
TOTAL	\$5,002,160	\$5,002,160

Interfund transfers during the year ended June 30, 2005 consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$1,141,223	\$ 884,878
Special Revenue Funds	355,818	479,166
Capital Project Funds	675,217	148,181
Proprietary Funds	-	660,033
TOTAL	\$2,172,258	\$2,172,258

The purposes of the due to/due from other funds are to charge revenue and expenditure activity to the appropriate funds. With centralized cash, everything is received and disbursed through the general fund. With due to/due from accounts, it allows the activity to be recorded within the proper fund, even though the activity occurs within the general fund cash account.

The primary purposes of the transfers are to match budgeted amounts within the general fund from the funds financing the various projects. Due to the fact that one budget is adopted; many projects from other funds are included in the capital improvement section of the budget. These transfers allow for the revenue to be reflected within the general fund where the expenditures have been budgeted and paid.

Note 18 – RESTATEMENT OF FUND BALANCE

During 2005, the City changed the manner in which it accounts for accrued compensated absences to comply with recent interpretations of previously issued financial standards. Fund balance as of July 1, 2004 has been restated as follows:

General Fund:

Fund balance, beginning of year, as previously reported	\$5,745,896
Prior period adjustment- accrued compensated absences	\$ 310,387
Fund balance, beginning of year, as restated	\$6,056,283

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2005

Note 19 – DESIGNATED FUND BALANCE

At June 30, 2005 and 2004, portions of the General Fund unreserved fund balance were designated by the School Department as follows:

	<u>2005</u>	<u>2004</u>
<u>Reappropriated to subsequent year budget</u>	<u>\$376,215</u>	<u>\$378,308</u>
<u>Total designated</u>	<u>\$376,215</u>	<u>\$378,308</u>

City of Saco, Maine
Required Supplementary Information
June 30, 2005

MODIFIED APPROACH FOR CITY INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; water purification and distribution system; sewer collection and treatment system; park and recreation lands and improvement system; storm water conveyance system; and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curbing, sidewalks, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its infrastructure assets. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.

- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed assessment level.

In 2000, the City commissioned a physical condition assessment of the streets which was completed and dated February, 2001. The City completed its second condition assessment in 2003. These streets, primarily concrete, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. This condition assessment will be performed every three years. Each street was assigned a physical condition based on 17 potential defects. A pavement condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined and associated to a rating within our asset management system:

<u>Condition</u>	<u>Rating</u>	<u>Asset Management System Rating</u>
Good	100-80	1
Fair	79-65	2
Poor	64-50	3
Substandard	49-0	4

The City Policy is to achieve a minimum rating of 70 for all streets, which is a 2 rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2003, June 30, 2002 and June 30, 2001, the City’s street system was rated at a PCI index of 72 on the average. As of June 30, 2005 and June 30, 2004, the City’s street system was rated at a PCI index of 89 on the average. The detail of the condition assessments are as follows:

City of Saco, Maine
Required Supplementary Information
June 30, 2005

MODIFIED APPROACH FOR CITY INFRASTRUCTURE CAPITAL ASSETS, Continued

<u>Condition</u>	FY 2001-2003	FY 2004-2005	<u>Asset Management System Rating</u>
	<u>% of Streets</u>	<u>% of Streets</u>	
Excellent to Good	35%	85%	1
Fair	26%	13%	2
Poor to Substandard	39%	2%	3 and 4

As of June 30, 2003, June 30, 2002 and June 30, 2001, the City had some of its streets rated below the established 2 rating. Based on the original condition assessment performed, the City required several years to rehabilitate these segments of the streets and has done so within the 3 years through June 30, 2004. As is reflected with the June 30, 2005 and 2004 condition assessment performed, a very immaterial percentage of streets now fall below the established policy level rating of a 2.

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$448,208 and \$485,929 respectively on street maintenance for the fiscal years ended June 30, 2005 and 2004. These expenditures delayed deterioration, and the overall condition of the streets was definitely improved through these maintenance expenditures. The City had estimated at the beginning of the condition assessment period that the amount of annual expenditures required to maintain the City's streets at the minimum PCI rating of 70 through the year 2005 was a minimum of \$1,547,000. This would have meant approximately \$500,000 per year. For the year ending June 30, 2005, the City expended just below this level.

The City also has an on-going street rehabilitation program, funded in the Capital Improvement Program that is intended to improve the condition rating of City streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Asset Management System. As of June 30, 2001, 39 percent of the City's streets were rated below the acceptable standard of 70. Total deficiencies identified in the Pavement Management System (PMS) amounted to approximately \$1,961,000 on street segments rated below the PCI of 70. In the fiscal year 2002 and 2003 budget, the city allocated another \$500,000 for these capital improvement type projects. The city was therefore in alignment to meet this necessary PCI rating and in fact did with a fiscal year 2004 assessment concluding that only a mere 2 percent of the City's streets were rated below the acceptable standard of 70. The next condition assessment will not be performed until fiscal year 2006.

As of June 30, 2005, the City had 13,070,970 square feet of streets with a carrying amount of approximately \$3,987,846 and an estimated replacement cost of approximately \$33,984,522.

In 2001 the City subcontracted with an independent engineering firm to inventory and perform a condition assessment on all other city infrastructure assets. These condition assessments were then reviewed and updated again in fiscal year 2004. These other infrastructure assets, sewer pipe, catch basins and manholes, storm drainage, sidewalks, traffic lights and signage, were then combined with the streets on the City's Asset Management System. Per the rating system noted above, each infrastructure asset was assigned a condition assessment based on a visual inspection conducted on each asset.

City of Saco, Maine
Required Supplementary Information
June 30, 2005

MODIFIED APPROACH FOR CITY INFRASTRUCTURE CAPITAL ASSETS, Continued

The City Policy is to achieve a minimum rating of 2 for all other infrastructure assets, which is consistent with that for the streets. As of June 30, 2005, 2004, 2003, 2002 and 2001, the City's other infrastructure assets had established condition assessment levels as follows:

ConditionAverage	FY 2001-2003 % of Other Infrastructure	FY 2004-2005 % of Other Infrastructure	Mgmt. System Rating
Excellent to Good	68%	69.3%	1
Fair	25%	25%	2
Poor to Substandard	7%	5.7%	3 and 4

As of June 30, 2001 through June 30, 2003, the City had only 7% of its other infrastructure assets rated below the established 2 rating. The City required several years to rehabilitate these segments of infrastructure. As is reflected with the June 30, 2005 and 2004 condition assessment performed, an even lower immaterial percentage of other infrastructure assets are now below the established policy level rating of a 2.

The City is continuously taking actions to arrest the deterioration of other infrastructure assets through short-term maintenance activities. The City expended \$216,752 and \$361,209 respectively on other infrastructure maintenance for the fiscal years ended June 30, 2005 and 2004. These expenditures delayed deterioration and improved the overall condition through these maintenance expenditures. The City had estimated that the amount of annual expenditures required to maintain the City's infrastructure at the minimum rating of 2 through the year 2005 was at a minimum of \$1,576,444, or approximately \$500,000 per year. The fiscal year 2005 budget with actual budget allocations and approved carryovers from fiscal year 2004 has over \$1,000,000 for these types of projects and assisted in aligning the city to maintain and actually improve the management system ratings in fiscal year 2005. The next condition assessment will not be performed until fiscal year 2006.

As of June 30, 2005, the City had approximately 318,523 feet of sewer pipe with a carrying amount of \$11,976,764 and an estimated replacement cost of \$31,852,267; 3,088 catch basins and manholes with a carrying amount of \$2,079,819 and an estimated replacement cost of \$6,236,000; 266,639 feet of storm drainage with a carrying amount of \$17,367,653 and a replacement cost of \$26,663,858; 711,650 square feet of sidewalks with a carrying amount of \$1,501,179 and a replacement cost of \$2,388,780; 14 traffic signals with a carrying amount of \$775,820 and a replacement cost of \$1,260,000; and 991 street signs with a carrying amount of \$44,818 and a replacement cost of \$69,370.

GENERAL FUND

The general fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs which are not paid through other funds.

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CITY OF SACO, MAINE
BALANCE SHEET - GENERAL FUND
June 30, 2005

	<u>2005</u>
ASSETS:	
Cash and Cash Equivalents	\$ 4,886,831
Investments	460,000
Accounts Receivable	839,027
Taxes Receivable:	
Current Year	713,845
Prior Year	68,089
Tax Liens	121,964
Prepaid Items	176,006
Interfund receivable	2,424,262
Tax Acquired Property	<u>58,359</u>
TOTAL ASSETS	<u><u>\$ 9,748,383</u></u>
LIABILITIES AND FUND BALANCE:	
Liabilities:	
Accounts Payable	\$ 1,903,670
Accrued Liabilities	1,194,926
Taxes Collected in Advance	27,126
Deferred Tax Revenue	<u>445,560</u>
	<u>3,571,282</u>
Fund Balance:	
Reserved for Encumbrances	144,980
Reserved for Prepaid Items	176,006
Reserved for Capital Improvement Projects	1,007,286
Unreserved:	
Designated - Subsequent years budgets	376,215
Undesignated	<u>4,472,614</u>
	<u>6,177,101</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 9,748,383</u></u>

CITY OF SACO, MAINE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Taxes:			
Real and Personal Property	\$ 22,979,088	\$ 23,444,228	\$ 465,140
Change in Deferred Property Revenues	-	242,210	242,210
Excise Taxes	2,776,500	2,883,127	106,627
Interest and Lien Costs on Taxes	120,000	133,830	13,830
Total taxes	<u>25,875,588</u>	<u>26,703,395</u>	<u>827,807</u>
Licenses and Permits:			
City Clerk Fees	68,990	69,894	904
Building Permits	254,781	412,152	157,371
Cable Television Franchise	125,000	185,477	60,477
Plumbing Permits	20,850	28,375	7,525
Electrical Inspection Fees	40,000	116,267	76,267
Snowmobile Registrations	2,000	2,295	295
Canine Licenses and Late Fees	4,000	6,821	2,821
Victualers' License	8,000	7,525	(475)
Total licenses and permits	<u>523,621</u>	<u>828,806</u>	<u>305,185</u>
Intergovernmental:			
Federal Assistance:			
Federal Emergency Management Agency	-	111,309	111,309
Cops Grant Reimbursement	34,000	43,822	9,822
State Assistance:			
Education	7,012,717	7,020,799	8,082
Adult Education	32,359	32,359	-
Medicaid Income (Net)	400,000	456,000	56,000
State Agency Clients	90,000	111,219	21,219
Revenue Sharing	1,467,666	1,448,360	(19,306)
Local Road Assistance	171,526	211,908	40,382
Welfare Reimbursement	20,000	13,576	(6,424)
School Construction Reimbursement	440,568	455,670	15,102
Homestead Exemptions	525,000	242,190	(282,810)
Other State Aid	42,500	55,792	13,292
City of Biddeford - Tax Base Sharing	100,000	140,091	40,091
Town of Scarborough - Recycling reimbursement	-	3,964	3,964
Goodwins Mills - Rescue reimbursement	7,500	7,500	-
Tuition and Other Charges for Services - Education	505,962	499,249	(6,713)
Total intergovernmental	<u>10,849,798</u>	<u>10,853,808</u>	<u>4,010</u>
Charges for Services:			
Police	36,600	38,260	1,660
Community Policing-Thornton Academy	35,055	34,504	(551)
Public Works	136,000	124,808	(11,192)
Tipping Fees	352,500	306,743	(45,757)
Transfer Station Fees	30,000	23,845	(6,155)
Sewer Inspection Fees	3,700	4,100	400
Flow Control Ordinance	4,500	2,750	(1,750)
Recreation Department	456,583	99,614	(356,969)
False Alarm Fines	19,100	13,475	(5,625)
Miscellaneous Fees	78,000	32,909	(45,091)
Total charges for services	<u>1,152,038</u>	<u>681,008</u>	<u>(471,030)</u>
Other Revenues:			
Interest Earnings	120,000	87,997	(32,003)
Sale of City Assets	5,000	48,638	43,638
Building Rentals	30,000	63,190	33,190
Insurance Claims and Refund	115,000	19,459	(95,541)
Planning/Zoning Board and Engineering Studies	57,900	93,790	35,890
Recycled Waste and Fees	16,500	29,869	13,369
Unclassified	27,700	31,305	3,605
Total other revenues	<u>372,100</u>	<u>374,248</u>	<u>2,148</u>
TOTAL REVENUES	<u>38,773,145</u>	<u>39,441,265</u>	<u>668,120</u>

CITY OF SACO, MAINE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES:			
General Government:			
Legislative	20,100	16,304	3,796
City Administration	196,803	194,725	2,078
Finance	652,983	541,430	111,553
City Clerk/Voter Registration/Welfare Assistance	177,812	149,582	28,230
Assessor	183,099	160,501	22,598
City Building Maintenance	112,248	95,789	16,459
Legal Services	117,800	135,366	(17,566)
Building Inspector	196,833	193,174	3,659
Planning	269,814	293,005	(23,191)
Total general government	<u>1,927,492</u>	<u>1,779,876</u>	<u>147,616</u>
Public Safety:			
Police/Central Dispatch	2,470,143	2,505,583	(35,440)
Fire/Ambulance/Public Water	2,044,886	2,022,009	22,877
Total public safety	<u>4,515,029</u>	<u>4,527,592</u>	<u>(12,563)</u>
Public Works:			
Administration/Maintenance	3,641,329	3,664,176	(22,847)
Total public works	<u>3,641,329</u>	<u>3,664,176</u>	<u>(22,847)</u>
Culture and Recreation:			
Parks & Recreation	635,572	585,146	50,426
Total culture and recreation	<u>635,572</u>	<u>585,146</u>	<u>50,426</u>
Education (Excluding Debt Service and Nutrition):			
Regular Education - K-12	21,893,901	21,889,544	4,357
Adult Education	103,039	103,039	-
Total education	<u>21,996,940</u>	<u>21,992,583</u>	<u>4,357</u>
County Tax	<u>772,182</u>	<u>772,182</u>	<u>-</u>
Unclassified:			
Employee Benefits	2,157,570	2,113,210	44,360
Insurance	199,974	213,348	(13,374)
Public Agencies	523,717	488,943	34,774
Overlay	259,874	-	259,874
Contingency	163,500	48,523	114,977
Total unclassified	<u>3,304,635</u>	<u>2,864,024</u>	<u>440,611</u>
Debt Service:			
School Department:			
Principal	650,979	650,979	-
Interest	352,293	352,792	(499)
City:			
Principal	1,086,066	1,086,066	-
Interest	365,181	363,325	1,856
Capital Leases and Agent Fees	290,523	308,072	(17,549)
Total debt service	<u>2,745,042</u>	<u>2,761,234</u>	<u>(16,192)</u>

CITY OF SACO, MAINE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued):			
Capital Projects:			
Sidewalk improvement	35,216	14,901	20,315
Street overlay/Road reconstruction	455,595	316,263	139,332
MDOT grant match	20,915	24,952	(4,037)
Storm drainage projects	56,605	7,765	48,840
Stackpole creek bridge	100,000	1,254	98,746
Microfilming	22,544	22,478	66
MUNIS software	23,023	22,507	516
Assessing appraisal conversion	38,084	23,213	14,871
Saco 67 business park	34,745	-	34,745
City signage	7,632	-	7,632
Park improvements	123,930	3,412	120,518
Industrial park rail road	34,655	7,521	27,134
North saco fire station addition	4,415	2,596	1,819
Camp ellis capital	26,356	-	26,356
Open door repairs	30,471	21,916	8,555
Athletic fields at landfill	278,310	79,649	198,661
Main & Beach Street	38,528	7,806	30,722
Elm & Thornton Street	13,430	7,975	5,455
Public safety network connections	10,000	-	10,000
School access roads	14,000	-	14,000
Redundancy server and remote access software	15,500	13,606	1,894
Superintendent's building acquisition	5,000	-	5,000
City Hall roof repairs	10,000	-	10,000
Police Department pump station	80,000	37,813	42,187
Turfcat mower	19,000	-	19,000
City-wide scanning project	17,000	-	17,000
EPA audit	26,598	-	26,598
Public works - leased equipment/vehicles	-	626,531	(626,531)
Total Capital Projects	<u>1,541,552</u>	<u>1,242,158</u>	<u>299,394</u>
TOTAL EXPENDITURES	<u>41,079,773</u>	<u>40,188,971</u>	<u>890,802</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>(2,306,628)</u>	<u>(747,706)</u>	<u>1,558,922</u>
OTHER FINANCING SOURCES (USES):			
Budgeted Utilization of Surplus-City	512,407	-	(512,407)
Budgeted Utilization of Surplus-School	378,308	-	(378,308)
Capital lease proceeds	-	626,531	626,531
Carryover of Designated Fund Balance	1,021,608	-	(1,021,608)
Operating Transfers From:			
Capital Projects Fund	25,000	106,167	81,167
Proprietary Fund	660,033	660,033	-
Special Revenue Fund	470,843	375,023	(95,820)
Total other financing sources	<u>3,068,199</u>	<u>1,767,754</u>	<u>(1,300,445)</u>
Operating Transfers To:			
Special Revenue Fund	-	(280,062)	(280,062)
Capital Projects Fund	(761,571)	(604,816)	156,755
Total other financing (uses)	<u>(761,571)</u>	<u>(884,878)</u>	<u>(123,307)</u>
NET CHANGE IN FUND BALANCE-			
Budgetary Basis	<u>\$ -</u>	<u>\$ 135,170</u>	<u>\$ 135,170</u>
To adjust to Modified Accrual Basis-			
Less- teachers summer salary accrual		<u>\$ (14,352)</u>	
NET CHANGE IN FUND BALANCE-			
Modified Accrual Basis		<u><u>\$ 120,818</u></u>	

CITY OF SACO, MAINE
STATEMENT OF CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Reserved</u>			<u>Unreserved</u>		<u>Total</u>
	<u>Encumbrances</u>	<u>Prepaid Items</u>	<u>Reserved for Subsequent Years' Expenditures</u>	<u>Designated to Subsequent Years' Budget</u>	<u>Undesignated</u>	
FUND BALANCE - Beginning of year, as originally stated	\$ 152,407	\$ 549,278	\$ 1,120,488	\$ 378,308	\$ 3,545,415	\$ 5,745,896
PRIOR PERIOD ADJUSTMENT	\$ -	\$ -	\$ -	\$ -	\$ 310,387	\$ 310,387
FUND BALANCE - Beginning of year, as restated	\$ 152,407	\$ 549,278	\$ 1,120,488	\$ 378,308	\$ 3,855,802	\$ 6,056,283
NET CHANGE IN FUND BALANCE	(7,427)	(373,272)	(113,202)	(2,093)	616,812	120,818
FUND BALANCE - End of year	<u>\$ 144,980</u>	<u>\$ 176,006</u>	<u>\$ 1,007,286</u>	<u>\$ 376,215</u>	<u>\$ 4,472,614</u>	<u>\$ 6,177,101</u>

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CITY OF SACO, MAINE
 COMBINING BALANCE SHEET - ALL OTHER NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 670,205	\$ -	\$ 16,916	\$ 687,121
Investments	1,222,885	48,543	543,780	1,815,208
Accounts Receivable (net)	1,342,223	-	700	1,342,923
Prepaid Expenses	2,260	-	-	2,260
Inventories and Other	47,090	-	-	47,090
Notes Receivable	14,287	-	-	14,287
Interfund Receivables	335,760	51,633	-	387,393
TOTAL ASSETS	\$ 3,634,710	\$ 100,176	\$ 561,396	\$ 4,296,282
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	79,010	-	-	79,010
Accrued Wages	45,090	-	-	45,090
Interfund Payables	1,371,387	19,296	-	1,390,683
Total liabilities	\$ 1,495,487	\$ 19,296	\$ -	\$ 1,514,783
Fund Balance:				
Reserved for:				
Nonexpendable trust fund	-	-	181,383	181,383
Inventory	8,779	-	-	8,779
Other purposes	220,359	-	-	220,359
Unreserved:				
Undesignated	1,910,085	80,880	380,013	2,370,978
Total fund balance	\$ 2,139,223	\$ 80,880	\$ 561,396	\$ 2,781,499
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,634,710	\$ 100,176	\$ 561,396	\$ 4,296,282

CITY OF SACO, MAINE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL OTHER NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
REVENUES:				
Intergovernmental	\$ 1,657,837	\$ -	\$ -	\$ 1,657,837
User Fees	556,304	-	-	556,304
Interest Income	41,926	8,207	20,674	70,807
Other Revenues	659,295	-	15,874	675,169
Total revenues	<u>\$ 2,915,362</u>	<u>\$ 8,207</u>	<u>\$ 36,548</u>	<u>\$ 2,960,117</u>
EXPENDITURES:				
Current:				
Special Projects	70,983	-	1,144	72,127
Education	1,774,122	-	-	1,774,122
Housing Programs	272,246	-	-	272,246
Capital Expenditures	333,167	2,180,868	-	2,514,035
Total expenditures	<u>\$ 2,450,518</u>	<u>\$ 2,180,868</u>	<u>\$ 1,144</u>	<u>\$ 4,632,530</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 464,844</u>	<u>\$ (2,172,661)</u>	<u>\$ 35,404</u>	<u>\$ (1,672,413)</u>
OTHER FINANCING SOURCES (USES) OF FUNDS:				
Capital Lease Proceeds	-	2,054,054	-	2,054,054
Transfer (to) from General Fund	(52,947)	84,732	-	31,785
Transfer (to) from Capital Projects Fund	(70,401)	-	-	(70,401)
Transfer (to) from Special Revenue Fund	-	28,386	-	28,386
Total other financing sources (uses)	<u>\$ (123,348)</u>	<u>\$ 2,167,172</u>	<u>\$ -</u>	<u>\$ 2,043,824</u>
NET CHANGE IN FUND BALANCES	<u>\$ 341,496</u>	<u>\$ (5,489)</u>	<u>\$ 35,404</u>	<u>\$ 371,411</u>
FUND BALANCES - BEGINNING OF YEAR	<u>1,797,727</u>	<u>86,369</u>	<u>525,992</u>	<u>2,410,088</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 2,139,223</u></u>	<u><u>\$ 80,880</u></u>	<u><u>\$ 561,396</u></u>	<u><u>\$ 2,781,499</u></u>

SPECIAL REVENUE FUNDS

Special revenue funds are established to account for resources obtained and expended for specified purposes that are restricted by law or administrative action. Special revenue funds are established for the following purposes:

Recreation Impact Fees

To account for the impact fees collected for open space and other purposes from new residential construction within the city.

Flood Mitigation Assistance Program

To account for funds received from the Maine Emergency Management Agency to conduct a flood hazard mitigation program. The intent of the program is to provide funding to correct problems in privately owned properties to prevent and/or reduce future flood losses. The City chose to use the Sawyer Brook watershed and the beach as the two areas of concentration. The local grant match would come from the property owners themselves.

Ambulance

To account for funds received from ambulance billing used for the maintenance, replacement, and other ambulance related items.

Economic Development Fund

The monies in this fund are generated by repayments to the City from Urban Development Action Grant and Development Fund loans to local businesses, and the sale of Saco Industrial Park lots. These monies are used to support, improve, and expand the City's Industrial Park and to make revolving loans to businesses within the applicable guidelines.

Saco Housing Agency

To account for funds provided by the Department of Housing and Urban Development under the Section 8 housing assistance payments for low-income families.

All Hazard Plan, Section 404 Grant

To account for funds received from the Federal Emergency Management Agency in order to develop an approved all-hazard mitigation plan for the City.

School Categorical Grants

To account for various federal and state grants for special programs administered by the School Department.

School Lunch Program

This fund accounts for the operation of the school nutrition program at the various schools.

Homeland Security Grant

To account for federal fund received through the Homeland Security Grant program.

SPECIAL REVENUE FUNDS
(Continued)

Saco Skate Park

To account for local contributions received for constructing a skate park in Saco.

Wellness Grant

To account for funds received under a Maine Municipal Association Grant.

Planning Board Improvements

To account for contributions by developers for improvement to City infrastructure.

MEMA/FEMA Grant

Funds received from the National Hurricane Program to establish mailings to educate inhabitants about emergency evacuations.

Jump Start Grant

To account for grant funds received.

Police Arrest Forfeiture Fund

To account for funds derived from direct arrests and/or joint investigation activities, some of which lead to the forfeiture of cash or property to the City.

Watershed Grant

To account for grant funds received from the State of Maine for a Goosefare Brook watershed survey.

Joe Riley Memorial Park

To account for local contributions received for the purpose of creating a memorial park for Joe Riley.

Fire Reserves

To account for donations received by the Fire Department for specific restricted purposes.

Emergency Management

To account for donations received for specific purposes for the city's emergency management initiatives.

Aspire Grant

To account for aspire grant funds received and expended.

Camp Ellis

To account for funds derived from parking, boat landing fees and boat mooring/pier use permits at Camp Ellis Pier. These funds are expended for parking lot attendants and repairs and improvements to the Pier.

SPECIAL REVENUE FUNDS
(Continued)

Community Policing Grant

To account for grant funds received under the Department of Justice's Law Enforcement Block Grant for the purpose of purchasing equipment to be used for community policing efforts.

Front Street Park

To account for local and federal (Waterfront Action Grant) funds received for the construction of a riverside park on Front Street. Local funds are provided by a combination of general fund revenues and donations.

Lucia Kimball Deering Trust

To account for expendable trust fund monies.

OUI Emphasis Grant

To account for state grant funds received for OUI arrest enhancement.

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CITY OF SACO, MAINE
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005

	Recreation Impact Fees	Flood Mitigation Assist. Program	Ambulance	Economic Development Fund	Saco Housing Agency	All Hazard Plan - Sect 404 Grant	School Categorical Grants	School Lunch Program	Homeland Security Grant
ASSETS:									
Cash and Cash Equivalents	-	-	44,794	120,638	10,802	-	94,897	14,825	-
Investments	-	-	375,436	832,449	-	-	-	-	-
Accounts Receivable (net allowance of \$130,000)	-	-	250,465	-	265	-	207,945	19,852	-
Prepaid Expenses	-	-	-	-	-	-	2,260	-	-
Inventories and Other	-	-	-	-	-	-	-	8,779	-
Notes Receivable	-	-	-	14,287	-	-	-	-	-
Interfund Receivables	157,282	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>157,282</u>	<u>-</u>	<u>670,695</u>	<u>967,374</u>	<u>11,067</u>	<u>-</u>	<u>305,102</u>	<u>43,456</u>	<u>-</u>
LIABILITIES AND FUND BALANCE:									
Liabilities:									
Accounts Payable	-	-	-	-	8,820	-	41,103	26,466	-
Accrued Wages	-	-	-	-	-	-	43,640	-	-
Interfund Payables	-	-	761,108	607,223	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>761,108</u>	<u>607,223</u>	<u>8,820</u>	<u>-</u>	<u>84,743</u>	<u>26,466</u>	<u>-</u>
Fund Balance (Deficit):									
Reserved for:									
Inventory	-	-	-	-	-	-	-	8,779	-
Other purposes	-	-	-	-	-	-	220,359	-	-
Unreserved:									
Undesignated	157,282	-	(90,413)	360,151	2,247	-	-	8,211	-
TOTAL FUND BALANCE (DEFICIT)	<u>157,282</u>	<u>-</u>	<u>(90,413)</u>	<u>360,151</u>	<u>2,247</u>	<u>-</u>	<u>220,359</u>	<u>16,990</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>157,282</u>	<u>-</u>	<u>670,695</u>	<u>967,374</u>	<u>11,067</u>	<u>-</u>	<u>305,102</u>	<u>43,456</u>	<u>-</u>

Continued on following page.

CITY OF SACO, MAINE
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS (Continued)
JUNE 30, 2005

	Saco Skate Park	Wellness Grant	Planning Board Improvements	MEMA/ FEMA Grant	Jump Start Grant	Police Arrest Forfeiture Fund	Watershed Grant	J. Riley Memorial Park	Fire Reserves
ASSETS:									
Cash and Cash Equivalents	-	-	-	-	-	871	-	1,770	-
Investments	-	-	-	-	-	-	-	-	-
Accounts Receivable (net allowance of \$130,000)	-	-	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-	-	-
Inventories and Other	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-
Interfund Receivables	1,422	-	33,090	-	1,588	10,114	-	-	674
TOTAL ASSETS	<u>1,422</u>	<u>-</u>	<u>33,090</u>	<u>-</u>	<u>1,588</u>	<u>10,985</u>	<u>-</u>	<u>1,770</u>	<u>674</u>
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Accounts Payable	-	-	-	-	-	-	-	-	-
Accrued Wages	-	-	-	-	-	-	-	-	-
Interfund Payables	-	2,204	-	-	-	-	-	852	-
TOTAL LIABILITIES	<u>-</u>	<u>2,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>852</u>	<u>-</u>
Fund Balance (Deficit):									
Reserved for:									
Inventory	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-
Unreserved:									
Undesignated	1,422	(2,204)	33,090	-	1,588	10,985	-	918	674
TOTAL FUND BALANCE (DEFICIT)	<u>1,422</u>	<u>(2,204)</u>	<u>33,090</u>	<u>-</u>	<u>1,588</u>	<u>10,985</u>	<u>-</u>	<u>918</u>	<u>674</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,422</u>	<u>-</u>	<u>33,090</u>	<u>-</u>	<u>1,588</u>	<u>10,985</u>	<u>-</u>	<u>1,770</u>	<u>674</u>

Continued on following page.

CITY OF SACO, MAINE
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS (Continued)
JUNE 30, 2005

	<u>Emergency Management</u>	<u>Aspire Grant</u>	<u>Camp Ellis</u>	<u>Community Policing Grant</u>	<u>Front Street Park</u>	<u>Lucia Kimball Deering Trust</u>	<u>OUI Emphasis Grant</u>	<u>Totals 2005</u>
ASSETS:								
Cash and Cash Equivalents	-	-	200	-	-	381,408	-	670,205
Investments	-	-	-	-	-	15,000	-	1,222,885
Accounts Receivable (net allowance of \$130,000)	-	-	-	-	-	863,696	-	1,342,223
Prepaid Expenses	-	-	-	-	-	-	-	2,260
Inventories and Other	-	-	-	-	-	38,311	-	47,090
Notes Receivable	-	-	-	-	-	-	-	14,287
Interfund Receivables	1,500	1,087	128,844	-	159	-	-	335,760
TOTAL ASSETS	<u>1,500</u>	<u>1,087</u>	<u>129,044</u>	<u>-</u>	<u>159</u>	<u>1,298,415</u>	<u>-</u>	<u>3,634,710</u>
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts Payable	-	-	2,621	-	-	-	-	79,010
Accrued Wages	-	-	1,450	-	-	-	-	45,090
Interfund Payables	-	-	-	-	-	-	-	1,371,387
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>4,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,495,487</u>
Fund Balance (Deficit):								
Reserved for:								
Inventory	-	-	-	-	-	-	-	8,779
Other purposes	-	-	-	-	-	-	-	220,359
Unreserved:								
Undesignated	1,500	1,087	124,973	-	159	1,298,415	-	1,910,085
TOTAL FUND BALANCE (DEFICIT)	<u>1,500</u>	<u>1,087</u>	<u>124,973</u>	<u>-</u>	<u>159</u>	<u>1,298,415</u>	<u>-</u>	<u>2,139,223</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,500</u>	<u>1,087</u>	<u>129,044</u>	<u>-</u>	<u>159</u>	<u>1,298,415</u>	<u>-</u>	<u>3,634,710</u>

CITY OF SACO, MAINE
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Recreation Impact Fees	Flood Mitigation Assist. Program	Ambulance	Economic Development Fund	Saco Housing Agency	All Hazard Plan - Sect 404 Grant	School Categorical Grants	School Lunch Program	Homeland Security Grant
REVENUES:									
Intergovernmental	-	-	-	-	232,178	-	1,104,531	237,731	80,650
Charges for Services	144,321	-	332,447	-	-	-	-	-	-
Interest Income	-	-	8,092	19,844	-	-	-	-	-
Other Revenue	-	-	-	221,000	-	-	62,655	347,278	-
Total revenues	144,321	-	340,539	240,844	232,178	-	1,167,186	585,009	80,650
EXPENDITURES:									
Current:									
Special Projects	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	1,183,902	590,220	-
Housing Programs	-	-	-	-	272,246	-	-	-	-
Capital Expenditures	204,083	-	29,536	-	-	-	-	-	80,650
Total expenditures	204,083	-	29,536	-	272,246	-	1,183,902	590,220	80,650
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(59,762)	-	311,003	240,844	(40,068)	-	(16,716)	(5,211)	-
OTHER SOURCES (USES) OF FUNDS:									
Transfer (to) from General Fund	-	280,062	(349,843)	22,014	-	-	-	-	-
Transfer (to) from Capital Project Funds	-	-	-	(70,401)	-	-	-	-	-
Transfer (to) from Special Revenue Funds	-	28,701	-	-	-	(7,500)	-	-	-
Total other financing sources (uses)	-	308,763	(349,843)	(48,387)	-	(7,500)	-	-	-
NET CHANGE IN FUND BALANCES	(59,762)	308,763	(38,840)	192,457	(40,068)	(7,500)	(16,716)	(5,211)	-
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	217,044	(308,763)	(51,573)	167,694	42,315	7,500	237,075	22,201	-
FUND BALANCES (DEFICIT) - END OF YEAR	157,282	-	(90,413)	360,151	2,247	-	220,359	16,990	-

Continued on following page.

CITY OF SACO, MAINE
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Saco Skate Park	Wellness Grant	Planning Board Improvements	MEMA/ FEMA Grant	Jump Start Grant	Police Arrest Forfeiture Fund	Watershed Grant	J. Riley Memorial Park	Fire Reserves
REVENUES:									
Intergovernmental	-	-	-	-	50	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	11	-
Other Revenue	-	4,184	-	-	-	23,504	-	-	674
Total revenues	-	4,184	-	-	50	23,504	-	11	674
EXPENDITURES:									
Current:									
Special Projects	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-
Housing Programs	-	-	-	-	-	-	-	-	-
Capital Expenditures	-	-	-	-	-	17,398	-	-	-
Total expenditures	-	-	-	-	-	17,398	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	4,184	-	-	50	6,106	-	11	674
OTHER FINANCING SOURCES (USES) OF FUNDS:									
Transfer (to) from General Fund	-	-	-	-	-	-	-	-	-
Transfer (to) from Capital Project Funds	-	-	-	-	-	-	-	-	-
Transfer (to) from Special Revenue Funds	-	-	-	(324)	-	-	(20,877)	-	-
Total other financing sources (uses)	-	-	-	(324)	-	-	(20,877)	-	-
NET CHANGE IN FUND BALANCES	-	4,184	-	(324)	50	6,106	(20,877)	11	674
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	1,422	(6,388)	33,090	324	1,538	4,879	20,877	907	-
FUND BALANCES (DEFICIT) - END OF YEAR	1,422	(2,204)	33,090	-	1,588	10,985	-	918	674

Continued on following page.

CITY OF SACO, MAINE
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Emergency Management</u>	<u>Aspire Grant</u>	<u>Camp Ellis</u>	<u>Community Policing Grant</u>	<u>Front Street Park</u>	<u>Lucia Kinball Deering Trust</u>	<u>OUI Emphasis Grant</u>	<u>Totals 2005</u>
REVENUES:								
Intergovernmental	-	1,087	-	-	-	-	1,610	1,657,837
Charges for Services	-	-	79,536	-	-	-	-	556,304
Interest Income	-	-	-	-	-	13,979	-	41,926
Other Revenue	-	-	-	-	-	-	-	659,295
Total revenues	-	1,087	79,536	-	-	13,979	1,610	2,915,362
EXPENDITURES:								
Current:								
Special Projects	-	-	29,299	-	-	41,684	-	70,983
Education	-	-	-	-	-	-	-	1,774,122
Housing Programs	-	-	-	-	-	-	-	272,246
Capital Expenditures	1,500	-	-	-	-	-	-	333,167
Total expenditures	1,500	-	29,299	-	-	41,684	-	2,450,518
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,500)	1,087	50,237	-	-	(27,705)	1,610	464,844
OTHER FINANCING SOURCES (USES) OF FUNDS:								
Transfer (to) from General Fund	-	-	(1,000)	-	-	-	(4,180)	(52,947)
Transfer (to) from Capital Projects Fund	-	-	-	-	-	-	-	(70,401)
Transfer (to) from Special Revenue Funds	-	-	-	5,041	-	-	(5,041)	-
Total other financing sources (uses)	-	-	(1,000)	5,041	-	-	(9,221)	(123,348)
NET CHANGE IN FUND BALANCES	(1,500)	1,087	49,237	5,041	-	(27,705)	(7,611)	341,496
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	3,000	-	75,736	(5,041)	159	1,326,120	7,611	1,797,727
FUND BALANCES (DEFICIT) - END OF YEAR	1,500	1,087	124,973	-	159	1,298,415	-	2,139,223

CAPITAL PROJECTS FUND

Capital projects fund are established to account for resources obtained and expended for the acquisition of major capital facilities.

The City's individual capital project funds were established for the following purposes:

Spring Hill TIF Project

To account for public improvements to the Spring Hill Industrial Park in conjunction with a private development project. A Tax Increment Finance District has been established to finance the public improvements.

First Light TIF District

To account for public improvements to the First Light Company in conjunction with a private development project. A tax increment finance district has been established to finance the public improvements.

Transparent Audio TIF District

To account for public improvements to the Transparent Audio Co. in conjunction with a private development project. A tax increment finance district has been established to finance the public improvements.

Saco Plaza TIF District

To account for public improvements to the Saco Plaza LLC in conjunction with a private development project. A tax increment finance district has been established to finance the public improvements.

Young School

To account for bond proceeds and expenditures to remove the old Young School building and to purchase, deliver and install the new modular school building replacing the old Young School building.

Hampton Inn TIF Project

To account for public improvements to the Hampton Inn in conjunction with a private development project. A Tax Increment Finance District has been established to finance the public improvements.

School Renovation Projects

To account for local bonded funds utilized for renovations to all school buildings within the community.

Greater Downtown Improvements

To account for public improvements in the greater downtown area as identified in the Revitalization Plan for Saco Island and Downtown Saco.

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CITY OF SACO, MAINE
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2005

	<u>Spring Hill TIF Project</u>	<u>First Light TIF Project</u>	<u>Transparent Audio TIF Project</u>	<u>Saco Plaza TIF Project</u>	<u>Young School</u>
ASSETS:					
Investments	-	26,296	2,559	19,688	-
Interfund Receivables	34,780	6,896	4,009	-	-
TOTAL ASSETS	<u>34,780</u>	<u>33,192</u>	<u>6,568</u>	<u>19,688</u>	<u>-</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payables	-	-	-	19,296	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,296</u>	<u>-</u>
Fund Balance:					
Unreserved:					
Undesignated	34,780	33,192	6,568	392	-
TOTAL FUND BALANCES	<u>34,780</u>	<u>33,192</u>	<u>6,568</u>	<u>392</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>34,780</u>	<u>33,192</u>	<u>6,568</u>	<u>19,688</u>	<u>-</u>

Continued on following page.

COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2005

	<u>Hampton Inn TIF Project</u>	<u>School Renovation Projects</u>	<u>Greater Downtown Improvements</u>	<u>Totals 2005</u>
ASSETS:				
Investments	-	-	-	48,543
Interfund Receivables	-	-	5,948	51,633
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	-	-	5,948	100,176
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Interfund Payables	-	-	-	19,296
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	-	-	-	19,296
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance:				
Unreserved:				
Undesignated	-	-	5,948	80,880
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	-	-	5,948	80,880
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	-	-	5,948	100,176
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF SACO, MAINE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - NON-MAJOR CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Spring Hill TIF Project</u>	<u>First Light TIF Project</u>	<u>Transparent Audio TIF Project</u>	<u>Saco Plaza TIF Project</u>	<u>Young School</u>
REVENUES:					
Interest Income	-	523	51	392	7,241
Total revenues	-	523	51	392	7,241
EXPENDITURES:					
Project Costs	50,805	-	-	36,869	2,061,295
Total expenditures	50,805	-	-	36,869	2,061,295
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(50,805)	523	51	(36,477)	(2,054,054)
OTHER FINANCING SOURCES (USES) OF FUNDS:					
Capital Lease Proceeds	-	-	-	-	2,054,054
Transfer from (to) General Fund	84,723	32,846	11,461	36,869	-
Transfer from (to) Special Revenue Funds	70,401	(32,846)	(9,169)	-	-
Total other financing sources (uses)	155,124	-	2,292	36,869	2,054,054
NET CHANGE IN FUND BALANCES	104,319	523	2,343	392	-
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	(69,539)	32,669	4,225	-	-
FUND BALANCES - END OF YEAR	34,780	33,192	6,568	392	-

Continued on following page.

CITY OF SACO, MAINE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - NON-MAJOR CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Hampton Inn TIF Project</u>	<u>School Renovation Projects</u>	<u>Greater Downtown Improvements</u>	<u>Totals 2005</u>
REVENUES:				
Interest Income	-	-	-	8,207
Total revenues	-	-	-	8,207
EXPENDITURES:				
Project Costs	31,899	-	-	2,180,868
Total expenditures	31,899	-	-	2,180,868
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(31,899)	-	-	(2,172,661)
OTHER FINANCING SOURCES (USES) OF FUNDS:				
Capital Lease Proceeds	-	-	-	2,054,054
Transfer from (to) General Fund	-	(81,167)	-	84,732
Transfer from (to) Special Revenue Funds	-	-	-	28,386
Total other financing sources (uses)	-	(81,167)	-	2,167,172
NET CHANGE IN FUND BALANCES	(31,899)	(81,167)	-	(5,489)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	31,899	81,167	5,948	86,369
FUND BALANCES - END OF YEAR	-	-	5,948	80,880

PERMANENT FUNDS

City of Saco Permanent Fund

To account for assets received by the City and held in trust.

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CITY OF SACO, MAINE
BALANCE SHEET - NON-MAJOR PERMANENT FUNDS
JUNE 30, 2005

	City of Saco Permanent Funds
ASSETS:	
Cash and Cash Equivalents	\$ 16,916
Investments	543,780
Accounts receivable	700
TOTAL ASSETS	\$ 561,396
LIABILITIES AND FUND BALANCES:	
Fund Balance:	
Principal	\$ 181,383
Unexpended Income	380,013
Total fund balances	561,396
TOTAL LIABILITIES AND FUND BALANCES	\$ 561,396

CITY OF SACO, MAINE
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	City of Saco Permanent Funds
REVENUES:	
Interest and dividends	\$ 20,674
Ticket sales	744
Net increase in fair value of investments	13,660
Other revenues	1,470
Total revenues	<u>36,548</u>
EXPENDITURES:	
Administrative expenditures	400
Designated expenditures	744
Total expenditures	<u>1,144</u>
EXCESS OF REVENUES OVER EXPENDITURES	35,404
FUND BALANCE - BEGINNING OF YEAR	<u>525,992</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 561,396</u></u>

AGENCY FUNDS

Agency Funds

To account for the activity in the Middle School Student Activity Funds.

CITY OF SACO, MAINE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
ASSETS				
Cash and cash equivalents	\$ 62,187	186,410	117,846	130,751
Total assets	\$ 62,187	186,410	117,846	130,751
LIABILITIES				
Due to student groups	\$ 62,187	186,410	117,846	130,751
Total liabilities	\$ 62,187	186,410	117,846	130,751

STATISTICAL SECTION



STATISTICAL SECTION

This part of the City of Saco's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosure says about the City's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends	107-111
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	112-115
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	116-119
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	120-124
These schedules offer demographic and economic indicators.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Saco, Maine
Net Assets by Component
Last Ten Fiscal Years (1)
(accrual basis of accounting)

Table 1

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 26,411,922	\$ 27,123,726	\$ 29,040,076	\$ 31,067,773	\$ 35,969,003
Restricted:					
Permanent fund principal	181,383	181,383	181,383	181,383	181,383
Other purposes	301,264	345,844	301,677	275,270	229,138
Unrestricted	10,961,645	11,973,689	9,879,061	8,871,170	4,658,456
Total governmental activities net assets	<u>\$ 37,856,214</u>	<u>\$ 39,624,642</u>	<u>\$ 39,402,197</u>	<u>\$ 40,395,596</u>	<u>\$ 41,037,980</u>
Business-Type activities					
Invested in capital assets, net of related debt	\$ 6,276,757	\$ 5,805,014	\$ 5,664,800	\$ 5,341,002	\$ 1,034,911
Unrestricted	3,277,674	3,462,433	3,280,868	3,615,269	7,628,663
Total business-type activities net assets	<u>\$ 9,554,431</u>	<u>\$ 9,267,447</u>	<u>\$ 8,945,668</u>	<u>\$ 8,956,271</u>	<u>\$ 8,663,574</u>

(1) Fiscal year 2001 is the initial year of implementation of GASB Statement No. 34.

City of Saco, Maine
Change in Net Assets
Last Ten Fiscal Years (1)
(accrual basis of accounting)

Table 2

	2001	2002	2003	2004	2005
Governmental activities:					
Expenses					
General Government	\$ 1,346,793	\$ 1,478,331	\$ 1,762,247	\$ 1,798,022	\$ 1,874,958
Public Safety	3,876,117	4,288,353	4,541,135	4,438,847	4,883,614
Public Works	3,068,339	3,097,678	3,393,351	3,591,566	4,586,385
Housing Programs	175,994	170,247	200,651	205,501	272,246
Culture and Recreation	360,045	388,018	465,507	526,806	626,204
Education	20,202,081	20,317,080	21,685,656	23,982,205	25,195,306
County Tax	356,525	604,281	795,896	747,821	772,182
Unclassified	3,097,765	3,569,709	3,155,801	2,794,827	3,363,144
Interest on Debt	660,783	1,153,235	1,610,299	587,724	680,893
Capital Maintenance Programs	3,354,453	1,847,476	2,219,090	1,452,387	1,894,297
Total governmental activities expenses	<u>36,498,895</u>	<u>36,914,408</u>	<u>39,829,633</u>	<u>40,125,706</u>	<u>44,149,229</u>
Program Revenues					
Charges for Services					
General Government	305,800	430,794	517,909	804,271	969,798
Public Safety	310,608	393,788	403,188	319,482	418,686
Public Works	469,526	521,732	572,310	563,154	489,365
Culture and Recreation	75,930	86,641	158,631	251,904	323,471
Education	743,257	783,005	639,776	791,341	909,182
Operating Grants and Contributions	9,417,682	9,479,506	9,811,267	10,716,936	10,920,455
Capital Grants and Contributions	2,629,081	2,584,728	1,271,272	1,027,926	1,437,216
Total governmental activities program revenues	<u>13,951,884</u>	<u>14,280,194</u>	<u>13,374,353</u>	<u>14,475,014</u>	<u>15,468,173</u>
Net (expense)/revenue, governmental activities	<u>(22,547,011)</u>	<u>(22,634,214)</u>	<u>(26,455,280)</u>	<u>(25,650,692)</u>	<u>(28,681,056)</u>
General Revenues and Other Changes in Net Assets					
Taxes					
Property taxes, levied for general purposes	17,674,814	19,225,731	20,483,851	21,340,211	23,444,228
Motor vehicle excise taxes	2,358,622	2,388,878	2,532,092	2,763,999	2,883,127
Franchise fees	69,006	85,434	151,339	167,212	185,477
Grants and contributions not restricted					
Homestead exemption	540,692	506,400	525,682	288,286	242,190
Other state aid	141,363	15,447	56,126	127,416	55,792
City of Biddeford tax base sharing	149,785	142,032	122,215	101,601	140,091
State revenue sharing	1,623,415	1,448,607	1,398,876	1,468,881	1,448,360
Unrestricted investment earnings	765,680	324,044	224,397	161,479	216,963
Miscellaneous revenues	14,798	61,069	532,913	42,563	47,179
Transfers	211,396	205,000	205,344	417,952	660,033
Total governmental activities general revenues/other changes	<u>23,549,571</u>	<u>24,402,642</u>	<u>26,232,835</u>	<u>26,879,600</u>	<u>29,323,440</u>
Change in Net Assets - Governmental activities	\$ 1,002,560	\$ 1,768,428	\$ (222,445)	\$ 1,228,908	\$ 642,384
Business-Type Activities					
Expenses					
Waste Water Treatment Plant	\$ 2,495,676	\$ 1,859,879	\$ 1,886,353	\$ 1,617,000	\$ 2,091,519
Total business-type activities expenses	<u>2,495,676</u>	<u>1,859,879</u>	<u>1,886,353</u>	<u>1,617,000</u>	<u>2,091,519</u>
Program Revenues					
Charges for services	1,684,581	1,726,984	1,720,765	1,980,486	2,411,039
Capital grants and contributions	81,597	-	-	-	-
Total business-type activities program revenues	<u>1,766,178</u>	<u>1,726,984</u>	<u>1,720,765</u>	<u>1,980,486</u>	<u>2,411,039</u>
Net (expense)/revenue, business-type activities	<u>(729,498)</u>	<u>(132,895)</u>	<u>(165,588)</u>	<u>363,486</u>	<u>319,520</u>
General Revenues and Other Changes in Net Assets					
Unrestricted investment earnings	64,276	48,456	42,471	37,983	38,159
Miscellaneous revenues	9,420	2,455	6,682	27,086	9,657
Transfers	(211,396)	(205,000)	(205,344)	(417,952)	(660,033)
Total business-type activities general revenues/other changes	<u>(137,700)</u>	<u>(154,089)</u>	<u>(156,191)</u>	<u>(352,883)</u>	<u>(612,217)</u>
Change in Net Assets - Business-Type activities	\$ (867,198)	\$ (286,984)	\$ (321,779)	\$ 10,603	\$ (292,697)

(1) Fiscal year 2001 is the initial year of implementation of GASB Statement No. 34.

City of Saco, Maine
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years (1)
(accrual basis of accounting)

Table 3

Fiscal Year ended	Property Taxes	Interest & Costs on Taxes	Excise Taxes	Total
June 30, 2001	\$ 17,674,815	\$ 125,858	\$ 2,232,764	\$ 20,033,437
June 30, 2002	\$ 19,225,731	\$ 126,487	\$ 2,388,878	\$ 21,741,096
June 30, 2003	\$ 20,483,851	\$ 101,285	\$ 2,532,092	\$ 23,117,228
June 30, 2004	\$ 21,340,211	\$ 134,534	\$ 2,763,999	\$ 24,238,744
June 30, 2005	\$ 23,444,228	\$ 133,830	\$ 2,883,127	\$ 26,461,185

(1) Fiscal year 2001 is the initial year of implementation of GASB Statement No. 34.

City of Saco, Maine
Fund Balances of Governmental Funds
Last Ten Fiscal Years (1)
(modified accrual basis of accounting)

Table 4

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund					
Reserved for:					
Encumbrances	\$ 226,954	\$ 83,332	\$ 78,483	\$ 152,407	\$ 144,980
Prepaid items	110,635	120,961	204,389	549,278	176,006
Capital improvements	2,093,385	2,746,641	1,998,861	1,120,488	1,007,286
Unreserved	5,992,620	6,040,111	4,057,992	3,923,723	4,848,829
Total General Fund	<u>\$ 8,423,594</u>	<u>\$ 8,991,045</u>	<u>\$ 6,339,725</u>	<u>\$ 5,745,896</u>	<u>\$ 6,177,101</u>
All other governmental funds					
Reserved for:					
Encumbrances	\$ 76,703	\$ 9,900	\$ 62,560	\$ -	\$ -
Noncurrent notes receivable	168,881	98,112	21,430	21,430	-
Nonexpendable trust principal	181,383	181,383	181,383	181,383	181,383
Inventory	-	11,278	9,983	16,765	8,779
Other purposes	301,264	345,844	301,677	237,075	220,359
Unreserved, reported in:					
Special revenue funds	1,609,555	521,494	1,233,916	1,522,457	1,910,085
Capital project funds	380,742	1,105,150	944,366	1,110,910	495,968
Permanent funds	376,052	296,718	283,704	344,609	380,013
Total all other governmental funds	<u>\$ 3,094,580</u>	<u>\$ 2,569,879</u>	<u>\$ 3,039,019</u>	<u>\$ 3,434,629</u>	<u>\$ 3,196,587</u>

(1) Fiscal year 2001 is the initial year of implementation of GASB Statement No. 34.

City of Saco, Maine
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (1)
(modified accrual basis of accounting)

Table 5

	2001	2002	Fiscal Year 2003	2004	2005
General Fund					
Revenues					
Property taxes	\$ 20,144,345	\$ 21,633,468	\$ 22,993,956	\$ 24,278,842	\$ 26,703,395
Licenses and permits	292,555	321,797	460,663	666,654	828,806
Intergovernmental	11,255,658	11,290,092	11,188,542	10,879,153	10,853,808
Intergovernmental on behalf payments	1,233,881	1,380,823	1,472,616	1,400,456	1,414,249
Charges for services	597,019	602,834	688,626	708,989	681,008
Other revenue	958,995	443,825	619,324	259,913	374,248
Total General Fund revenues	<u>\$ 34,482,453</u>	<u>\$ 35,672,839</u>	<u>\$ 37,423,727</u>	<u>\$ 38,194,007</u>	<u>\$ 40,855,514</u>
Expenditures					
General government	\$ 1,276,785	\$ 1,367,308	\$ 1,665,735	\$ 1,702,939	\$ 1,779,876
Public safety	3,614,790	4,002,925	4,198,832	4,074,543	4,527,592
Public works	2,815,080	2,959,648	3,115,397	3,300,696	3,664,176
Culture and recreation	327,358	378,551	430,672	485,750	585,146
Education	18,098,738	18,294,187	19,483,305	20,408,147	22,006,935
Maine State Retirement on behalf payments	1,233,881	1,380,823	1,472,616	1,400,456	1,414,249
Unclassified	2,282,005	2,471,515	2,670,059	2,911,596	2,864,024
County Tax	356,525	604,281	795,896	747,821	772,182
Debt Service					
Principal	1,247,000	1,500,000	1,733,499	1,742,045	1,737,045
Interest and other charges	843,891	1,082,681	1,134,492	850,151	1,024,189
Capital Improvements	1,538,815	1,993,107	3,321,941	1,218,197	1,242,158
Total General Fund expenditures	<u>\$ 33,634,868</u>	<u>\$ 36,035,026</u>	<u>\$ 40,022,444</u>	<u>\$ 38,842,341</u>	<u>\$ 41,617,572</u>
Other financing sources (uses)					
Transfers in	1,958,396	1,254,234	789,554	1,114,062	1,141,223
Proceeds from capital lease financing	361,960	261,663	743,678	-	626,531
Proceeds from advance refunding of debt	-	-	5,162,057	-	-
Payment from advance refunding of debt	-	-	(5,162,057)	-	-
Transfers out	(480,665)	(586,259)	(1,585,835)	(1,059,557)	(884,878)
Total General Fund other financing sources (uses)	<u>1,839,691</u>	<u>929,638</u>	<u>(52,603)</u>	<u>54,505</u>	<u>882,876</u>
Net change in fund balance	<u>\$ 2,687,276</u>	<u>\$ 567,451</u>	<u>\$ (2,651,320)</u>	<u>\$ (593,829)</u>	<u>\$ 120,818</u>
Debt service as a percentage of noncapital expenditures	6.51%	7.59%	7.81%	6.89%	6.84%
Other Governmental Funds					
Revenues					
Intergovernmental	2,450,304	3,059,793	1,950,778	1,652,442	2,157,837
Charges for services	677,948	647,834	776,760	420,695	556,304
Other revenue	1,024,144	370,565	599,923	709,616	804,135
Total Other Governmental Fund revenues	<u>4,152,396</u>	<u>4,078,192</u>	<u>3,327,461</u>	<u>2,782,753</u>	<u>3,518,276</u>
Expenditures					
Housing programs	175,994	170,247	200,651	205,501	272,246
Education	1,442,328	1,422,162	1,703,980	1,802,264	1,774,122
Unclassified	807,196	1,098,194	465,553	67,099	72,127
Capital Improvements	2,888,349	8,466,993	1,489,762	695,726	4,095,565
Total Other Governmental Fund expenditures	<u>5,313,867</u>	<u>11,157,596</u>	<u>3,859,946</u>	<u>2,770,590</u>	<u>6,214,060</u>
Other financing sources (uses)					
Transfers in	405,370	87,551	167,052	1,059,981	552,036
Capital lease proceeds	-	-	-	-	2,054,054
Bond Proceeds/State revolving loan funds	-	7,099,789	-	-	-
Transfers out	(1,671,705)	(550,526)	834,573	(696,534)	(148,348)
Total Other Governmental Fund other financing sources (uses)	<u>(1,266,335)</u>	<u>6,636,814</u>	<u>1,001,625</u>	<u>363,447</u>	<u>2,457,742</u>
Net change in fund balance	<u>(2,427,806)</u>	<u>(442,590)</u>	<u>469,140</u>	<u>375,610</u>	<u>(238,042)</u>

(1) Fiscal year 2001 is the initial year of implementation of GASB Statement No. 34.

City of Saco, Maine
Assessed Value and State Equalized Value of Taxable Property
Last Ten Fiscal Years

Table 6

Years ended	Real Property		Personal Property	Less Tax Exempt Real Property	Total Taxable Assessed Value (1)	Total Direct Tax Rate	State Equalized Value (2)	Assessed Value as a Percentage of Equalized Value
	Residential Property	Commercial Property						
June 30, 1996	\$ 542,528,600	\$ 236,390,100	\$ 38,082,400	\$ 55,547,200	\$ 761,453,900	\$ 18.80	\$ 731,550,000	104.1%
June 30, 1997	\$ 548,809,500	\$ 232,370,200	\$ 41,252,810	\$ 49,433,800	\$ 772,998,710	\$ 19.30	\$ 724,700,000	106.7%
June 30, 1998	\$ 557,678,800	\$ 240,252,100	\$ 43,320,800	\$ 54,359,200	\$ 786,892,500	\$ 19.50	\$ 741,700,000	106.1%
June 30, 1999	\$ 550,087,200	\$ 235,812,500	\$ 44,742,900	\$ 52,450,200	\$ 778,192,400	\$ 20.20	\$ 792,650,000	98.2%
June 30, 2000	\$ 565,271,300	\$ 248,883,400	\$ 54,962,840	\$ 60,459,600	\$ 808,657,940	\$ 20.40	\$ 818,850,000	98.8%
June 30, 2001	\$ 583,769,600	\$ 254,235,800	\$ 60,332,350	\$ 59,645,900	\$ 838,691,850	\$ 21.00	\$ 892,000,000	94.0%
June 30, 2002	\$ 611,135,700	\$ 263,357,800	\$ 59,380,400	\$ 59,645,900	\$ 874,228,000	\$ 21.95	\$ 1,011,250,000	86.5%
June 30, 2003	\$ 626,598,500	\$ 271,213,900	\$ 61,900,300	\$ 62,347,800	\$ 897,364,900	\$ 22.70	\$ 1,155,650,000	77.7%
June 30, 2004	\$ 861,989,300	\$ 285,046,008	\$ 62,688,800	\$ 73,234,208	\$ 1,136,489,900	\$ 18.70	\$ 1,310,350,000	86.7%
June 30, 2005	\$ 1,146,258,600	\$ 350,740,200	\$ 64,187,600	\$ 92,363,800	\$ 1,468,822,600	\$ 15.90	\$ 1,553,400,000	94.6%

1 - Saco Assessing Office

2 - State of Maine, Bureau of Taxation

City of Saco, Maine
Property Tax Rates - All Direct and Overlapping
Governments (Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

Table 7

Fiscal Year ended	Direct		Overlapping		Total Tax Rate
	Municipal Tax Rate	School Tax Rate	County Tax Rate		
June 30, 1996	\$ 7.24	\$ 11.18	\$ 0.38	\$	18.80
June 30, 1997	\$ 7.93	\$ 10.96	\$ 0.41	\$	19.30
June 30, 1998	\$ 7.87	\$ 11.20	\$ 0.43	\$	19.50
June 30, 1999	\$ 8.14	\$ 11.61	\$ 0.45	\$	20.20
June 30, 2000	\$ 8.26	\$ 11.69	\$ 0.45	\$	20.40
June 30, 2001	\$ 8.89	\$ 11.67	\$ 0.44	\$	21.00
June 30, 2002	\$ 9.62	\$ 11.97	\$ 0.36	\$	21.95
June 30, 2003	\$ 8.97	\$ 12.85	\$ 0.88	\$	22.70
June 30, 2004 (1)	\$ 7.01	\$ 11.02	\$ 0.67	\$	18.70
June 30, 2005	\$ 5.61	\$ 9.76	\$ 0.53	\$	15.90

Source: Saco Assessing Office

(1) = City began valuation adjustments to bring values to 95 % of state equalized value by 2006.

**City of Saco, Maine
Principal Property Taxpayers
Current Year and Nine Years Ago**

Table 8

Taxpayer	2005			1996		
	Current year Assessed Value	Rank	Percentage of Total Assessed Value	Current year Assessed Value	Rank	Percentage of Total Assessed Value
General Dynamics Armament Systems	\$ 26,955,100	1	1.84%	\$ 28,099,400	1	3.69%
FPL Energy Maine Hydro LLC	\$ 14,493,500	2	0.97%			
Central Maine Power Co.	\$ 12,711,000	3	0.87%	\$ 10,300,000	2	1.35%
Biddeford & Saco Water Co.	\$ 12,193,400	4	0.83%	\$ 7,555,200	4	0.99%
Cormier Land Company	\$ 10,196,600	5	0.69%	\$ 9,005,500	3	1.18%
Hannaford Brothers Co.	\$ 9,573,600	6	0.65%	\$ 3,958,600	6	0.52%
James E. Clair Sr.	\$ 8,820,900	7	0.60%	\$ 3,690,700	7	0.48%
Grey M & Joseph D Emmons Trustees	\$ 8,400,200	8	0.57%	\$ 6,360,500	5	0.84%
Saco & Biddeford Savings Institution	\$ 7,415,000	9	0.50%	\$ 1,816,300	10	0.24%
JVW Hotels LLC	\$ 6,046,300	10	0.41%			
Ledegwood Terrace				\$ 2,292,300	8	0.30%
Academy Place				\$ 2,262,500	9	0.30%
Total Principal Taxpayers			7.93%			9.89%
All Other Taxpayers			92.07%			90.11%

Source: Saco Assessing Office

City of Saco, Maine
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 9

Fiscal Year Ended	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
June 30, 1996	\$ 14,371,670	\$ 13,338,841	92.81%	\$ 1,032,581	\$ 14,371,422	100.00%
June 30, 1997	\$ 14,961,770	\$ 14,055,788	93.94%	\$ 905,725	\$ 14,961,513	100.00%
June 30, 1998	\$ 15,403,291	\$ 14,667,433	95.22%	\$ 735,587	\$ 15,403,020	100.00%
June 30, 1999	\$ 15,766,907	\$ 14,955,872	94.86%	\$ 803,024	\$ 15,758,896	99.95%
June 30, 2000	\$ 16,532,228	\$ 15,689,497	94.90%	\$ 834,102	\$ 16,523,599	99.95%
June 30, 2001	\$ 17,674,815	\$ 17,087,815	96.68%	\$ 575,478	\$ 17,663,293	99.93%
June 30, 2002	\$ 19,189,305	\$ 18,601,105	96.93%	\$ 560,231	\$ 19,161,336	99.85%
June 30, 2003	\$ 20,370,183	\$ 19,742,902	96.92%	\$ 611,006	\$ 20,353,908	99.92%
June 30, 2004	\$ 21,329,954	\$ 20,518,814	96.20%	\$ 695,125	\$ 21,213,939	99.46%
June 30, 2005	\$ 23,434,356	\$ 22,682,803	96.79%	\$ -	\$ 22,682,803	96.79%

(1) - Tax commitment plus supplemental taxes assessed during the fiscal year.

City of Saco, Maine
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 10

Fiscal Year ended	Governmental Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Debt	Capital Leases			
June 30, 1996	\$ 18,540,000	\$ 141,763	\$ 18,681,763	5.92%	\$ 1,213
June 30, 1997	\$ 19,413,000	\$ 142,544	\$ 19,555,544	5.94%	\$ 1,270
June 30, 1998	\$ 21,666,000	\$ 602,294	\$ 22,268,294	6.43%	\$ 1,418
June 30, 1999	\$ 20,219,000	\$ 541,306	\$ 20,760,306	5.73%	\$ 1,323
June 30, 2000	\$ 18,587,000	\$ 406,597	\$ 18,993,597	5.24%	\$ 1,216
June 30, 2001	\$ 16,975,000	\$ 588,489	\$ 17,563,489	4.16%	\$ 1,009
June 30, 2002	\$ 22,574,789	\$ 651,260	\$ 23,226,049	5.51%	\$ 1,342
June 30, 2003	\$ 20,955,867	\$ 1,012,490	\$ 21,968,357	4.97%	\$ 1,246
June 30, 2004	\$ 19,213,823	\$ 750,062	\$ 19,963,885	4.52%	\$ 1,142
June 30, 2005	\$ 17,476,778	\$ 3,449,932	\$ 20,926,710	4.74%	\$ 1,244

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) - See the Schedule of Demographic and Economic Statistics on page 120 for personal income and population data.

City of Saco, Maine
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11

Fiscal Year	General Obligation Debt	State Assessed Value of Property (1)	Per Capita (2)
1996	\$ 18,540,000	2.53%	\$ 1,213
1997	\$ 19,413,000	2.68%	\$ 1,270
1998	\$ 21,666,000	2.92%	\$ 1,418
1999	\$ 20,219,000	2.55%	\$ 1,323
2000	\$ 18,587,000	2.27%	\$ 1,216
2001	\$ 16,975,000	1.90%	\$ 1,009
2002	\$ 22,574,789	2.23%	\$ 1,342
2003	\$ 20,955,867	1.81%	\$ 1,246
2004	\$ 19,213,823	1.47%	\$ 1,142
2005	\$ 17,476,778	1.13%	\$ 1,039

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) - See the schedule of Assessed Value and State Equalized Value of Taxable Property on page 112 for property value data.

(2) - Population data can be found in the Schedule of Demographics and Economic Statistics on page 120.

City of Saco, Maine
Direct and Overlapping Governmental Activities Debt
General Obligation Bonds
As of June 30, 2005

Table 12

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to government	Amount applicable to government
Direct:			
City of Saco	\$ 17,476,778	100.00%	\$ 17,476,778
Overlapping debt:			
York County	\$ 16,800,000	6.87%	\$ 1,154,160
	\$ 34,276,778		\$ 18,630,938

City of Saco, Maine
Statutory Debt Margin Information
Last Ten Fiscal Years
In Accordance with 30 MRSA, Section 5061 as Amended

Table 13

Fiscal Year	Debt Limit	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to limit as a percentage of debt limit
1996	\$ 109,732,500	\$ 18,681,763	\$ 91,050,737	17.02%
1997	\$ 108,705,000	\$ 19,555,544	\$ 89,149,456	17.99%
1998	\$ 111,255,000	\$ 22,268,294	\$ 88,986,706	20.02%
1999	\$ 118,897,500	\$ 20,760,305	\$ 98,137,195	17.46%
2000	\$ 122,827,500	\$ 18,993,597	\$ 103,833,903	15.46%
2001	\$ 133,800,000	\$ 17,563,489	\$ 116,236,511	13.13%
2002	\$ 151,687,500	\$ 23,226,049	\$ 128,461,451	15.31%
2003	\$ 173,347,500	\$ 21,968,357	\$ 151,379,143	12.67%
2004	\$ 196,552,500	\$ 19,963,885	\$ 176,588,615	10.16%
2005	\$ 233,010,000	\$ 20,926,710	\$ 212,083,290	8.98%

Legal Debt Margin Calculation for Fiscal year 2005

	Outstanding bonds and leases	Percent of state assessed value of \$1,553,400,000	Allowable Amount	Margin
For school purposes	\$ 9,581,837	10.00%	\$ 155,340,000	\$ 145,758,163
For waste water treatment plant	\$ 5,575,000	7.50%	\$ 116,505,000	\$ 110,930,000
For municipal	\$ 5,769,873	7.50%	\$ 116,505,000	\$ 110,735,127
Total	\$ 20,926,710	15.00%	\$ 233,010,000	\$ 212,083,290

**City of Saco, Maine
Demographic and Economic Statistics
Last Ten Fiscal Years**

Table 14

Fiscal Year	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
1996	15,280	\$ 315,700,080	\$ 20,661	33.5	2,643	2.3%
1997	15,280	\$ 329,192,320	\$ 21,544	33.5	2,722	2.1%
1998	15,280	\$ 346,244,800	\$ 22,660	33.5	2,750	1.9%
1999	15,280	\$ 362,258,240	\$ 23,708	33.5	2,782	1.7%
2000	15,280	\$ 362,258,240	\$ 23,708	33.5	2,774	1.3%
2001	16,822	\$ 421,862,116	\$ 25,078	37.2	2,788	2.0%
2002	16,822	\$ 421,862,116	\$ 25,078	37.2	2,796	2.6%
2003	16,822	\$ 441,863,474	\$ 26,267	37.2	2,839	2.5%
2004	16,822	\$ 441,863,474	\$ 26,267	37.2	2,823	3.6%
2005	16,822	\$ 441,863,474	\$ 26,267	37.2	2,754	4.0%

(1) - U.S. Department of Commerce, Bureau of Census (1990 and 2000)

(2) - Maine Department of Education. Figures are based on April 1 enrollment

(3) - Maine Department of Labor

**City of Saco, Maine
Principal Employers
Current Year and Nine Years Ago**

Table 15

Employer	2005			1996		
	Employees	Rank	Percentage of Saco's Labor Force	Employees	Rank	Percentage of Saco's Labor Force
Sweetser Children's Services	479	1	5.19%	187	4	2.02%
Saco School Department	290	2	3.14%	220	3	2.38%
Hannaford Brothers	250	3	2.71%	160	6	1.73%
Wood Structures, Inc.	208	4	2.25%			
General Dynamics	183	5	1.98%	425	1	4.60%
Visiting Nurses Association	178	6	1.93%	232	2	2.51%
City of Saco	164	7	1.78%	138	7	1.49%
Shaw's Supermarkets	142	8	1.54%	170	5	1.84%
Thornton Academy	132	9	1.43%	110	8	1.19%
Saco & Biddeford Savings	99	10	1.07%			
Holman Cooking Equipment				75	9	0.81%
Lynn-Flex				75	10	0.81%

Source: Maine Department of Labor and U.S. Department of Labor

City of Saco, Maine
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years (1)

Table 16

	Full-time Equivalent Employees as of June 30					
	2000	2001	2002	2003	2004	2005
Function:						
General Government	22	22.5	23.5	25	25.5	26
Public Safety						
Police	39	41	46	46	46	46
Fire	28	28	28	32	36	36
Public Works	29	31.5	32.5	33.25	33.75	34.75
Parks & Recreation	5	5	6	6.75	6.75	6.75
Total General Fund	123	128	136	143	148	149.5
Waste Water Treatment Plant	9.5	9.5	12.5	12.5	13	13
Total Enterprise Fund	9.5	9.5	12.5	12.5	13	13

(1) Data unavailable for fiscal years 1996-1999, so only 6 years of data has been presented.

City of Saco, Maine
Operating Indicators by Function
Last Ten Fiscal Years (1)

Table 17

Function	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Government										
Building permits										
Single family	51	65	78	130	94	103	100	105	67	69
Condos	0	0	0	0	0	0	3	28	33	66
Commercial	71	75	69	79	70	82	76	87	78	83
Total number permits issued	383	417	451	575	540	505	543	631	585	565
Public Safety										
Police										
Number of calls for service	not avail	not avail	not avail	not avail	not avail	24,896	25,280	25,571	21,974	26,054
Number of traffic stops	not avail	not avail	not avail	not avail	not avail	8,126	7,896	8,922	7,876	8,497
Number of traffic summons issued	not avail	not avail	not avail	not avail	not avail	1,461	1,926	2,469	1,766	2,213
Number of warnings issued	not avail	not avail	not avail	not avail	not avail	5,102	5,301	5,618	5,927	5,908
Number of traffic related arrests	not avail	not avail	not avail	not avail	not avail	191	170	245	183	218
Number of non-traffic related arrests & summons	not avail	not avail	not avail	not avail	not avail	780	1,020	817	333	465
Number of parking tickets issued	not avail	not avail	not avail	not avail	not avail	406	420	1,218	551	567
Fire										
Number of calls for service	not avail	not avail	not avail	not avail	not avail	2,181	1,868	1,928	1,152	668
Number of inspections conducted	not avail	not avail	not avail	not avail	not avail	225	280	250	350	320
Ambulance										
Number of calls for service	not avail	not avail	not avail	not avail	not avail	1,735	2,214	2,215	1,915	1,960
Public Works										
Number of roads maintained	360	362	364	366	368	370	372	375	378	382
Lane miles of roads maintained	239	241	243	245	247	248	250	251	253	255
Acres of public area maintained	330	334	338	342	346	350	354	358	364	369

The information not available is within the years before the City began to prepare a Comprehensive Annual Financial Report. The data was therefore not accumulated in this manner prior to that time.

City of Saco, Maine
Capital Asset Statistics by Function
Last Ten Fiscal Years (1)

Table 18

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Function										
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	6	6	6	6	6	6	6	6	6	6
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Public Works										
Street lights	1539	1564	1592	1620	1645	1683	1726	1766	1791	1804
Traffic signals	145	145	146	146	146	146	147	147	148	148
Recreation										
Parks	10	10	10	10	10	10	10	10	10	10
Park acreage	100	100	100	100	100	100	100	100	100	100
Tennis courts	6	6	6	6	6	6	6	6	6	6

Sources: Various City departments.

Note: No capital asset indicators are available for the general government function.